Shaping change in insurance
Balance sheet press conference 2017

Munich, 15 March 2017
Strategic keystones laying foundation for Munich Re’s good positioning

- Integrated Risk Management
- PI and RI under one roof
- Emphasis on profitable Underwriting
- Conservative Asset Management
- Innovative Solutions
- Shareholder friendly dividend policy
- Corporate Responsibility
Munich Re delivers financial stability

- **IFRS net income**: €2.6bn  
  Meeting guidance
- **HGB result**: €3.4bn  
  Safeguards capital repatriation
- **Solvency II ratio**: 267%  
  Well above target capitalisation
- **Dividend per share**: €8.60  
  ▲ +4.2%

Seizing long-term opportunities while managing short-term pressure

**Changing competitive landscape**
- Emergence of new players and business models
- Proliferation of "alternative" capital
- Transformation of traditional value chain

**Digitalisation**
- New technologies and partnerships
- Dramatically enhanced availability of data and analysis tools
- Changing customer expectations

**Macroeconomic/political risks**
- Persistently low interest rates
- Reflation
- Global political uncertainty

**GOAL**  
Agile business model

**GOAL**  
Fostering innovation

**GOAL**  
Dampening volatility

1 Subject to approval of AGM.

*Source: Shutterstock*
Strong balance sheet supports sound profitability

Strong capitalisation according to all metrics

Rock-solid reserving position

€28 bn unrealised investment gains

RoE exceeds cost of capital

~10.7% > ~8%

12-year average RoE
Average cost of capital

Shaping change in insurance

Attractive shareholder returns
Further dividend increase, continuation of share buy-back

Continuous growth of dividend per share
CAGR: 9.7%

Total pay-out since 2005 (dividend and share buy-back)

>€23 bn

Outperforming major peers and insurance index

74 million Shares repurchased since 2006

> 50.9 million Shares issued in 2003 (capital increase)
Reinsurance – Well positioned to manage the current market environment and drive innovative solutions

Traditional reinsurance
Successfully managing the soft cycle

Risk Solutions
Continuous growth in specialty and niche business

Innovation
Steady expansion of innovative products/solutions

ERGO – Turnaround initiated, well on track to become a significant earnings contributor

ERGO Strategy Programme/International Strategy

Fit
Leaner and more efficient structures

Digital
Transforming the business model

Successful
Convincing solutions, committed to profitable growth

Increasing IFRS net profit

1 From 2017, figures include primary insurance business of Munich Health.
Innovation – Munich Re establishing a strong position to tap opportunities – Focus on tangible business impact

Munich Re has successfully laid the groundwork …

<table>
<thead>
<tr>
<th>Innovation strategy</th>
<th>Group-wide approach</th>
<th>Leveraging core competencies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defined innovation areas</td>
<td>Intensive know-how and resource sharing</td>
<td>Data analysis</td>
</tr>
<tr>
<td>Corporate venturing and partnering</td>
<td>Joint business development</td>
<td>Agile IT</td>
</tr>
<tr>
<td>Innovation infrastructure</td>
<td></td>
<td>Cooperation models</td>
</tr>
</tbody>
</table>

… to seize opportunities from digitalisation

Business model
- Provide digital infrastructure
- Digitalise insurance offerings
- Improve process efficiency

Products/services
- Improve customer experience
- Expand offering for online customers (e.g. "nexible")
- Customised products and tailor-made solutions
- Foster customer-centric support

Group Finance
2016 net result meets annual guidance

Munich Re (Group)

Net result
€2,581m (Q4: €486m)
Sound underlying performance without dilution of strong balance sheet – investments in ERGO strategy programme and FX gains

Return on investment1
3.2% (Q4: 2.7%)
Solid return given low interest rates – prudent asset liability management once again proved beneficial

Shareholders’ equity
€31.8bn (~1.8% vs. 30.9)
Strong capitalisation according to all metrics

1 Annualised

Reinsurance

Life: Technical result €487m (Q4: €169m)

ERGO

L/H Germany: Result impacted technical one-offs

P/C: Combined ratio 97.0% (Q4: 100.0%)

International: Combined ratio 99.0% (Q4: 100.4%)

Munich Health

P/C: Combined ratio 97.0% (Q4: 100.0%)

Primary insurance: Combined ratio 94.2% (Q4: 98.8%)

Financial highlights 2016

Sound underlying performance without dilution of strong balance sheet – investments in ERGO strategy programme and FX gains

Basis for this performance:

- Return on investment 3.2% (Q4: 2.7%) – Solid return given low interest rates – prudent asset liability management once again proved beneficial

- Shareholders’ equity €31.8bn (~1.8% vs. 30.9) – Strong capitalisation according to all metrics

Munich Re – Financial highlights 2016
High Solvency II ratio

Munich Re actions

>220%: Above target capitalisation
  - Capital repatriation
  - Increased risk-taking
  - Holding excess capital to meet external constraints

175% – 220%: Target capitalisation
  - Optimum level of capitalisation

140% – 175%: Below target capitalisation
  - Tolerate (management decision) or
  - If necessary, take management action (e.g. risk transfer, scaling-down of activities; raising of hybrid capital)

<140%: Sub-optimal capitalisation
  - Take risk-management action (e.g. risk transfer, scaling-down of activities; raising of hybrid capital) or
  - In exceptional cases, tolerate situation (management decision)

SII ratio

267%

220%

175%

140%

100%

100% - 175%: Target capitalisation
  - Optimum level of capitalisation

140% - 175%: Below target capitalisation
  - Tolerate (management decision) or
  - If necessary, take management action (e.g. risk transfer, scaling-down of activities; raising of hybrid capital)

<140%: Sub-optimal capitalisation
  - Take risk-management action (e.g. risk transfer, scaling-down of activities; raising of hybrid capital) or
  - In exceptional cases, tolerate situation (management decision)

Well diversified investment portfolio

Investment portfolio

| Land and buildings | 2.9 (2.9) |
| Shares, equity funds and participating interests | 6.1 (5.2) |
| Loans | 28.5 (28.7) |
| Fixed-interest securities | 56.3 (55.7) |

Portfolio management in Q4

- Ongoing geographic diversification
- Slight decrease in corporate bonds
- Reduction of cash and bank bonds
- Increase of net equity exposure to 5.0%
- Increase of asset duration in reinsurance
## Investment result

<table>
<thead>
<tr>
<th>Investment result (€m)</th>
<th>2016</th>
<th>Return¹</th>
<th>2015</th>
<th>Return¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular income</td>
<td>6,663</td>
<td>2.8%</td>
<td>7,370</td>
<td>3.1%</td>
</tr>
<tr>
<td>Write-ups/write-downs</td>
<td>–400</td>
<td>–0.2%</td>
<td>–754</td>
<td>–0.3%</td>
</tr>
<tr>
<td>Disposal gains/losses</td>
<td>2,603</td>
<td>1.1%</td>
<td>2,693</td>
<td>1.1%</td>
</tr>
<tr>
<td>Derivatives²</td>
<td>–713</td>
<td>–0.3%</td>
<td>–1,226</td>
<td>–0.5%</td>
</tr>
<tr>
<td>Other income/expenses</td>
<td>–586</td>
<td>–0.2%</td>
<td>–548</td>
<td>–0.2%</td>
</tr>
<tr>
<td>Investment result</td>
<td>7,567</td>
<td>3.2%</td>
<td>7,536</td>
<td>3.2%</td>
</tr>
<tr>
<td>Total return</td>
<td></td>
<td>4.3%</td>
<td></td>
<td>0.9%</td>
</tr>
</tbody>
</table>

### 2016

<table>
<thead>
<tr>
<th></th>
<th>Write-ups/write-downs</th>
<th>Disposal gains/losses</th>
<th>Derivatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed income³</td>
<td>–23</td>
<td>2,263</td>
<td>70</td>
</tr>
<tr>
<td>Equities</td>
<td>–323</td>
<td>440</td>
<td>–777</td>
</tr>
<tr>
<td>Commodities/Inflation</td>
<td>27</td>
<td>–99</td>
<td>4</td>
</tr>
<tr>
<td>Other</td>
<td>–69</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

¹ Annualised return on quarterly weighted investments (market values) in %.
² Result from derivatives without regular income and other income/expenses.
³ Themed interest rate hedging ERGO: Q4 2016 (–420m gross/ –434m net) and 2016 (–623m gross/ –635m net).
ERGO Strategy Programme (ESP) fully on track
seven months after announcement

<table>
<thead>
<tr>
<th>ERGO Strategy Programme (ESP) fully on track seven months after announcement</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total premiums</strong>&lt;sup&gt;1&lt;/sup&gt;</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Net profit</strong></td>
</tr>
<tr>
<td><strong>Investments</strong>&lt;sup&gt;2&lt;/sup&gt; (net)</td>
</tr>
<tr>
<td><strong>Total cost savings</strong> (net)</td>
</tr>
<tr>
<td><strong>Combined ratio P-C Germany</strong></td>
</tr>
</tbody>
</table>

<sup>1</sup> L/H Germany, P-C Germany.  <sup>2</sup> Including restructuring expenses.  <sup>3</sup> Accumulated.

ESP – Timeline

**Fit**
- Workers’ council has agreed on major topics
- Sales: New organisational setup implemented
- Implementation of new structures in admin and central functions
- Go-live of separate organisational entity “Traditional Life”

**Digital**
- New IT organisational structure implemented
- Digital IT fully established
- New Sourcing organisation implemented
- Q3: available to start with first product (motor)
- Products innovation: Residential building
- Legal protection
- Commercial liability online

**Successful**
- Launch of new MEAG funds
- Product innovation: Personal liability Motor
- ERGO Mobility Solutions GmbH started
- Q3: available to start with first product (motor)
- Life Germany: Launch of new annuity products
- Products innovation: Residential building
- Legal protection
- Commercial liability online

Q2 2016 | Q3 2016 | Q4 2016 | H1 2017 | H2 2017 | H1 2018
## Life and Health Germany – Status 2016

**Gross premiums written**

€9.2bn

- Successful launch of new risk-type product (“Solo-BU”) – 24,000 policies sold
- Discontinuation of traditional life
- Positive development in supplementary health

**Net result**

€114m

- Above expectation, given restructuring expenses
- Exceptionally high technical result in Q4

**ROI**

3.6%

- High investment result – Positive contribution from derivatives and disposal gains offset lower regular income

## Property-casualty Germany – Status 2016

**Gross premiums written**

€3.2bn

- Profitable growth in almost all lines of business
- Product innovations – Launch of cyber protection

**Net result**

–€72m

- Impacted by strategic investments and restructuring charges – In line with expectations

**Combined ratio**

97.0%

- Better than ESP\(^1\) guidance (–1%-pt.)
- Strategic investments impacted combined ratio –1%-pt.
- Confidence level of reserves increased

\(^1\) ERGO Strategy Programme.
Property-casualty Germany – Attractive portfolio for customers, consistent cost reduction

- P-C Germany to maintain and strengthen balanced portfolio
- Significant cost reduction in the medium term – improvement of expense ratio as main driver of higher profitability

Product innovations
- Launch of new cyber product in 2016
- Start of new modular product concept in H2 2016 (motor and private liability)
- Further products consistent in look and feel (e.g. personal accident, household contents, homeowners' insurance) will follow in 2017

International – Status 2016

P-C – Gross premiums written
€2.5bn
Strong new business growth, driven by Poland

P-C – Combined ratio
99.0%
Improvement in Poland – Recovering results and reduction of losses in UK and Turkey

Life – Gross premiums written
€1.2bn
De-risking classical life business – Italy, Belgium

Net result
–€82m
Restructuring of Belgian life entity planned
Several one-offs, e.g. goodwill impairment, strategic investments
International strategy embedded in ERGO Strategy Programme (ESP) to achieve ambitious goals

Fit

**Governance**
- Central steering with dedicated responsibilities

**Portfolio**
- Foster strong market positions
- Establish efficient global business models
- Exploit growth market exposure

Establishing leaner and more effective structures to ensure swift execution

Digital

**Best practice exchange**
- Interregional transfer of capabilities, e.g. implementation of adapted iMonitor from Poland in Turkey

**Regional cooperation**
- Integration of back offices, e.g. in Baltics and Poland

**Accelerated innovation**
- Digital delivery, e.g. via omni-channel communication to customers in India

Laying the foundations for transforming the business model

Successful!

**Interlocked business model reinsurance/primary insurance**
- Identify value drivers in an interlocked business model between ERGO entities and MR

**Commercial business**
- Strengthen commercial business internationally

**Pure digital player**
- Roll-out of flexible in attractive markets

Committing to profitable growth

Munich Health primary insurance business to be managed by ERGO in 2017

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ERGO International portfolio focuses on three pillars

**Strong presence in selected developed markets**

<table>
<thead>
<tr>
<th>Country</th>
<th>GWP 2016 €m</th>
<th>Focus segment</th>
<th>Market position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poland</td>
<td>1,178</td>
<td>Non-life</td>
<td>14%</td>
</tr>
<tr>
<td>Austria</td>
<td>627</td>
<td>Life</td>
<td>9%</td>
</tr>
<tr>
<td>Baltics</td>
<td>206</td>
<td>Non-life</td>
<td>5%</td>
</tr>
<tr>
<td>Greece</td>
<td>194</td>
<td>Non-life</td>
<td>8%</td>
</tr>
</tbody>
</table>

Leverage existing scale to strengthen organic growth

**Specialised global business expertise**

<table>
<thead>
<tr>
<th>Country</th>
<th>GWP 2016 €m</th>
<th>Focus segment</th>
<th>Market position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal protection</td>
<td>1,1465</td>
<td>Market presence in 18 countries</td>
<td></td>
</tr>
<tr>
<td>Travel</td>
<td>4522</td>
<td>Market presence in 24 countries</td>
<td></td>
</tr>
</tbody>
</table>

Launch new global businesses

Pure Digital Player
Mobility Solutions

Efficient management and expansion of global businesses

**Promising exposure in prioritised growth markets**

<table>
<thead>
<tr>
<th>JVs</th>
<th>GWP1 2016 €m</th>
<th>Segment</th>
<th>Expected CAGR 2016-20, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>25</td>
<td>Life</td>
<td>70</td>
</tr>
<tr>
<td>India1</td>
<td>270</td>
<td>Non-life</td>
<td>21</td>
</tr>
<tr>
<td>Vietnam</td>
<td>11</td>
<td>Non-life</td>
<td>16</td>
</tr>
<tr>
<td>Thailand</td>
<td>21</td>
<td>Non-life</td>
<td>8</td>
</tr>
<tr>
<td>Subsidiaries</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Turkey</td>
<td>249</td>
<td>Non-life</td>
<td>10</td>
</tr>
</tbody>
</table>

Capture opportunities in growth markets

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1 ERGO acquisition effective 1 January 2016. A share of gross written premium (GWP) is included. 2 Management Services and international businesses (A.A. B. including Eastern Europe). 3 ERGO Group. 4 Step-up during 2016, premiums based on average share during the year. 5 Life business segment. 6 Non-life business segments: A.D.S. including Italian JV. 7 Structured general business: A.D.S. 8 Management Services.
ESP facilitates an interlocked business model between primary insurance and reinsurance

- Leverage Munich Re’s presence for market entries
- Regional market committees to coordinate strategic initiatives
- Joint approach to FinTech and InsurTech start-ups, combining RI and PI capabilities
- Common data analytics methodologies
- PI sales skills to support RI services
- Link innovation labs and development processes
- Bundled product solutions
- International broker management
- Cooperation in commercial lines
- Facilitation of cross-selling (white labelling)
- Automated underwriting
- Leverage technical skills from RI and PI – establish business lines expert groups
- Group-wide churn rate analysis
- Joint policy administration
- Group-wide fraud analytics tool
- Data analytics to identify claims prevention and risk mitigation
- LEverage MEAG’s investment expertise
- Monitor investment risks centrally
- MEAG to support financial product initiatives
- Employee rotation to exchange RI and PI skills
- Joint approach to FinTech and InsurTech start-ups, combining RI and PI capabilities
- Common data analytics methodologies
- PI sales skills to support RI services
- Link innovation labs and development processes
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- Data analytics to identify claims prevention and risk mitigation
- LEverage MEAG’s investment expertise
- Monitor investment risks centrally
- MEAG to support financial product initiatives
- Employee rotation to exchange RI and PI skills

International business to contribute substantially to ERGO’s results by 2020

- Reduction of traditional back book in international Life business between 2016 and 2020 of more than €300m GWP (Italy, Belgium)
- Required capital will be financed within ERGO Group, i.e. there will be no capital injection from Munich Re

<table>
<thead>
<tr>
<th>Net profit, €m</th>
<th>Total premium, €m</th>
<th>Total premium incl. JVs, €m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net profit, €m</td>
<td>Total premium, €m</td>
<td>Total premium incl. JVs, €m</td>
</tr>
</tbody>
</table>

- International and MH PI premiums amount to ~€5,900m in 2020
- Premiums generated by JVs amount to ~€1,400m in 2020

1 Includes segments “Life and Health Germany” as well as “Property-casualty Germany” (comprising German share of JVP business as well as German and international travel business).
## Reinsurance

### Strong 2016 result at the upper end of guidance – Reinsurance P-C remains profitable core of our business

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>P-C – Gross premiums written</td>
<td>€17.8bn</td>
<td>Active cycle and portfolio management</td>
</tr>
<tr>
<td>P-C – Net result</td>
<td>€2.0bn</td>
<td>Strong technical result</td>
</tr>
<tr>
<td>Life – Gross premiums written</td>
<td>€10.0bn</td>
<td>Reduction of one large deal, increasing contribution from initiatives</td>
</tr>
<tr>
<td>P-C – Combined ratio</td>
<td>95.7%</td>
<td>Below average major loss activity</td>
</tr>
<tr>
<td>P-C – Reserve releases</td>
<td>5.5%</td>
<td>At least preserved confidence level</td>
</tr>
<tr>
<td>Life – Net result</td>
<td>€459m</td>
<td>Sound result contribution</td>
</tr>
</tbody>
</table>
Traditional book and Risk Solutions complement each other and provide diversification

Well balanced portfolio from a regional and line of business perspective

Resilient January renewals – Client-centric approach pays off

Market developments

- Abundant reinsurance capital, but signs of price stabilisation
- Flattening alternative capital growth
- Continued tiering – increasing discipline for Tier 1 reinsurers
- Hardly any pressure on wordings

January renewals

Price change

\[-0.5\%\]

Decline slowed down further

Exposure change

\[-4.4\%\]

Cycle management reduction mitigated by new business opportunities

Munich Re

- Well positioned to counter-balance regional rate differences and flexibly shape the portfolio
- Scale and financial strength provide competitive advantage
- Value proposition as strategic partner strongly valued
- Tailor-made solutions meet client demand
Munich Re fosters innovation throughout the global organisation – Strong focus on tangible business impact

Significant focus on innovation … … with significant impact on business already today

**Innovation infrastructure**
- Innovation scouting
- Innovation labs
- Ideation
- Corporate partnering

**Innovation areas**
1. New (re)insurance products
2. New business models
3. New clients and demands
4. New risk-related services

**Innovation enabler**
- Data analytics
- Agile IT
- Collaboration

- Innovation-related business already generating premium volume of €650m\(^1\)
- Risk carrier for established and new (digital) insurance and non-insurance companies
- Provider of integrated risk services (e.g., sensor-based)
- Tailored risk solutions and white-label products
- Data analytics-based services

---

\(^1\) Munich Re (Group) indirect effects on traditional business not included.
Strong long-term growth in cyber (re)insurance expected – Munich Re with leading-edge expertise and market presence

1 New (re)insurance products

GWP global cyber insurance market¹

<table>
<thead>
<tr>
<th>Year</th>
<th>US$ bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>0</td>
</tr>
<tr>
<td>2016</td>
<td>5</td>
</tr>
<tr>
<td>2019</td>
<td>10</td>
</tr>
<tr>
<td>2020</td>
<td>15</td>
</tr>
</tbody>
</table>

GWP Munich Re cyber portfolio

<table>
<thead>
<tr>
<th>Year</th>
<th>US$ m</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>126</td>
</tr>
<tr>
<td>2014</td>
<td>135</td>
</tr>
<tr>
<td>2015</td>
<td>191</td>
</tr>
<tr>
<td>2016</td>
<td>263</td>
</tr>
</tbody>
</table>

Reinsurance: First mover and global market leader
- Dynamic growth through joint projects with cedents
- Steady growth in the US
- Strong accumulation models

Primary insurance: Specialised single-risk taker
- Hartford Steam Boiler: Established player in US for SMEs and individuals
- Corporate Insurance Partner: Focus on larger corporate clients – Cooperation with IT providers and Beazley

¹ Estimates based on different external sources (Marsh & McLennan, Barbican Insurance, Allianz).

2 New business models

IoT is expected to disrupt the (re)insurance industry – Munich Re well positioned

3 New clients and demands

Digital Partners – Partnering with start-ups to digitalise insurance

4 New risk-related services

Most advanced data analytics platform

### Outlook 2017

<table>
<thead>
<tr>
<th>Group</th>
<th>Reinsurance</th>
<th>ERGO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross premiums written</td>
<td>€48–50bn</td>
<td>€31–33bn</td>
</tr>
<tr>
<td>Net result</td>
<td>€2.0–2.4bn</td>
<td>€1.8–2.2bn</td>
</tr>
<tr>
<td>Return on investment</td>
<td>~3%</td>
<td>~97%</td>
</tr>
</tbody>
</table>

1. ~100% on a normalised basis (12% pts. major losses, 4% pts. reserve releases). Expectation for reserve releases in 2017 ~6%.
Disclaimer

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.