Strong track record – and new ideas

Munich, 16 March 2016
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\(^2\)
- Rock-solid reserving position
- Low goodwill in relation to shareholders' equity\(^2\)

\(\text{\euro}26\text{bn} \quad 9\%\)

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

1. Assuming normal nat. cat. claims based on 8.5% budget, net result would have exceeded guidance.
Further increase of dividend per share to €8.25 in 2016 –
Total of €20bn returned to shareholders in the last ten years

Attractive shareholder participation

<table>
<thead>
<tr>
<th>Year</th>
<th>Share buy-back</th>
<th>Dividend</th>
<th>Cash yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>2.4</td>
<td>1.5</td>
<td>11.2%</td>
</tr>
<tr>
<td>2011</td>
<td>1.5</td>
<td>1.1</td>
<td>7.8%</td>
</tr>
<tr>
<td>2012</td>
<td>1.6</td>
<td>1.6</td>
<td>5.4%</td>
</tr>
<tr>
<td>2013</td>
<td>2.7</td>
<td>2.0</td>
<td>6.0%</td>
</tr>
<tr>
<td>2014</td>
<td>2.3</td>
<td>2.5</td>
<td>9.6%</td>
</tr>
<tr>
<td>2015</td>
<td>2.3</td>
<td>2.3</td>
<td>7.7%</td>
</tr>
</tbody>
</table>

1 Cash-flow view
2 Total payout (dividend and buy-back) divided by average market capitalisation.
**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
- Limits and budgets
- Management of accumulations
- Strict underwriting guidelines
- Retrocession for peak nat cat scenarios

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

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

- **Munich Re’s strong footprint** facilitates expansion to attractive growth markets
- **Underwriting know-how and expert network** key to developing innovative solutions
- **Client proximity** important for understanding changing demand
- **Efficiently running the traditional book** while continuously exploring new products/markets
- **Tailor-made solutions**
- **Underwriting in developed markets**
- **Incremental innovations**
- **Risk Solutions**
- **Solutions for emerging risks**
- **Emerging markets**

1 e.g. Cyber insurance, performance guarantees for renewable energies.
2 e.g. Liability risks of atomic power plants or oil platforms.
3 e.g. Satellite life-time insurance.
Strong track record – and new ideas

Underinsurance in emerging markets provides business opportunities

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

Insurance penetration still low²

Young and growing population¹

<table>
<thead>
<tr>
<th>Region</th>
<th>Young and Growing Population (bn)</th>
<th>2015</th>
<th>2030</th>
<th>2050</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td></td>
<td>7.4</td>
<td>8.5</td>
<td>9.7</td>
</tr>
<tr>
<td>Latin America</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asia</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Gross national income per capita


Underinsurance in emerging markets provides business opportunities … drive economic growth –
Higher wealth and better education further increases insurance spending/penetration

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

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 …

New clients and demands
Adapting to changing purchasing behaviour and new client needs

Efficient and digital business processes
Exploiting potential for digital processes – reducing complexity

New risk-related services
Pushing out the frontiers of insurability with covers for previously uninsured new and changing risks

New business models
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 – ~€500m¹ premium generated by innovative products

¹ Munich Re (Group)
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

IFRS result driven by strong reinsurance contribution

Munich Re (Group)  2015 (Q4 2015)

NET RESULT
£3,122m (£731m)
Overall sound operating performance – One-offs in both directions

OPERATING RESULT
£4,819m (£1,427m)
Benign major claims and substantial reserve releases in property-casualty reinsurance – Loss at ERGO in Q4

INVESTMENT RESULT
Rol of 3.2% (2.9%)
Solid return – High disposal gains, derivative losses and write-downs

Reinsurance
NET RESULT  
£3,261m (£1,371m)

P-C
Combined ratio 89.7% (78.6%)
Major-loss ratio 6.2% (4.7%)

LIFE
Technical result of £335m – Slightly below ambition of £400m p.a.

ERGO
NET RESULT  
£227m (~€644m)

P-C GERMANY
Combined ratio 97.9% (103.9%)

L/H GERMANY  INTERNATIONAL
Goodwill impairment combined ratio 104.7% (115.3%)

Munich Health
NET RESULT  
€688m (€5m)

REINSURANCE
Combined ratio 101.1% (102.2%)

PRIMARY INSURANCE
Combined ratio 93.2% (94.5%)

Munich Re
Balance sheet press conference 2016  10

Balance sheet press conference 2016  11
Strong capital position according to all metrics …

… facilitates financial flexibility, including high shareholder distribution

Short-term earnings pressure mitigated by strong balance sheet

Conservative accounting translates into earnings as a result of ordinary business activity
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

1 Bubble size reflects reinvestment volume.
Agenda

Strong track record – and new ideas
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Munich Re (Group)
Jörg Schneider

ERGO
Markus Rieß

Reinsurance
Torsten Jeworrek

Outlook
Nikolaus von Bomhard

ERGO – Key financials

<table>
<thead>
<tr>
<th>Gross premiums written (€bn)</th>
<th>Net result (€m)</th>
<th>Economic earnings (€bn)</th>
<th>Return on investment (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2015</td>
<td>2014</td>
</tr>
<tr>
<td>16.7</td>
<td>16.5</td>
<td>169</td>
<td>3.8</td>
</tr>
<tr>
<td>3.8</td>
<td>3.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1</td>
<td>3.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9.8</td>
<td>9.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Combined ratio (%)</td>
<td></td>
<td>1.3</td>
<td></td>
</tr>
<tr>
<td>95.3</td>
<td>97.9</td>
<td>97.3</td>
<td></td>
</tr>
<tr>
<td>97.3</td>
<td>104.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>−1.9</td>
<td>2014</td>
<td>3.9</td>
</tr>
<tr>
<td></td>
<td>−227</td>
<td>2015</td>
<td>3.1</td>
</tr>
</tbody>
</table>

Major result drivers
- GWP: Decline in traditional life offsets growth in P-C Germany and International
- Net income: Negative result primarily driven by goodwill impairment of €429m
- Combined ratio: Deterioration in Germany and International driven by reserve strengthening and nat cat expenses
Low interest rates leave their mark on German life business

ERGO – Life/Health Germany

Segmental breakdown – Total premiums €m

<table>
<thead>
<tr>
<th>Segment</th>
<th>Total Premiums</th>
<th>% of Total</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life</td>
<td>4,016 (39%)</td>
<td>▲ –7.9%</td>
<td></td>
</tr>
<tr>
<td>Health</td>
<td>5,202 (50%)</td>
<td>▲ –0.9%</td>
<td></td>
</tr>
<tr>
<td>Direct</td>
<td>1,104 (11%)</td>
<td>▲ –1.1%</td>
<td></td>
</tr>
</tbody>
</table>

Total: €10.3bn

Net result €m

<table>
<thead>
<tr>
<th>Year</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>269</td>
</tr>
<tr>
<td>2015</td>
<td>–329</td>
</tr>
</tbody>
</table>

- Life
  - €346m lower premiums due to lower traditional business
- Health
  - Growth in supplementary insurance, lower premiums in comprehensive insurance
- Direct
  - Lower single premium capitalisation business in life (–€15m) while dental insurance remains growth driver in Health

Significant decrease driven by non-operating result, mainly non-tax deductible goodwill impairment

Property-casualty Germany – Operating profitability weaker than previous year due to one-offs

ERGO – Property-casualty Germany

GWP by lines of business €m

<table>
<thead>
<tr>
<th>Line of Business</th>
<th>Total GWP</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other</td>
<td>336 (8%)</td>
<td></td>
</tr>
<tr>
<td>Legal protection</td>
<td>395 (13%)</td>
<td></td>
</tr>
<tr>
<td>Liability</td>
<td>536 (17%)</td>
<td></td>
</tr>
</tbody>
</table>

Total: €3,162m

Combined ratio %

<table>
<thead>
<tr>
<th>Year</th>
<th>Combined Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>95.3</td>
</tr>
<tr>
<td>2015</td>
<td>97.9</td>
</tr>
</tbody>
</table>

Net result €m

<table>
<thead>
<tr>
<th>Year</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>176</td>
</tr>
<tr>
<td>2015</td>
<td>214</td>
</tr>
</tbody>
</table>

- Balanced portfolio
- Increase by €47m vs. 2014 driven by UK branch – higher level of new business in title insurance and transfer from assumed to direct business
- Large losses 2.4%-pts. above budget
- Reserve adjustments: 1.5%-pts.
- Positive tax and FX effects overcompensate for weaker underwriting result
### ERGO – International

#### International business – Challenges for profitability

<table>
<thead>
<tr>
<th>Breakdown by lines of business</th>
<th>€m</th>
<th>Combined ratio</th>
<th>%</th>
<th>Net result</th>
<th>Mio. €</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life</td>
<td>1,991 (45%)</td>
<td>-1.8%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property-casualty</td>
<td>2,392 (55%)</td>
<td>+9.5%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>€4,382m</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Property-casualty
- Poland: High competition in corporate business, new guidelines for claims regulation
- Turkey: High combined ratio – mainly legacy effect. Gaining market share in new business despite premium rate increases
- Legal protection: Overall stable – except for DAS UK, due to higher claims reserves and restructuring
- India: Stake increased to 49%; ongoing strong growth (+9%)

#### Life
- Product strategy in important markets – Austria, Belgium, Poland – geared towards non-traditional life business
- Sale of Italian subsidiary: Exiting a traditional life market
- Joint Ventures: China (50%) in line with plan; India (49%) reached first step of regulatory approval (R1) in 2015

### ERGO – Outlook

#### Structural basis for ERGO realignment

**ERGO Group AG**
- International alignment
- Strategic steering

**ERGO Deutschland AG**
- Strengthen sales force
- Improve cost structure
- Modernise systems

**ERGO International AG**
- Improve results
- Explore cross-country synergies
- Identify growth areas

**ERGO Digital Ventures AG**
- Create cultural environment for innovation
- Build strong digital pillar – integrate ERGO Direkt
- Enable transformation of traditional business

---


20

21
Reinsurance – Key financials

<table>
<thead>
<tr>
<th>Gross premiums written</th>
<th>€bn</th>
<th>Net result</th>
<th>€bn</th>
<th>Major result drivers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2015</td>
<td>2014</td>
<td>2015</td>
</tr>
<tr>
<td>Gross premiums written</td>
<td>26.8</td>
<td>28.2</td>
<td>2.9</td>
<td>3.3</td>
</tr>
<tr>
<td></td>
<td>10.0</td>
<td>10.5</td>
<td>2.5</td>
<td>2.9</td>
</tr>
<tr>
<td></td>
<td>16.7</td>
<td>17.7</td>
<td>0.4</td>
<td>0.3</td>
</tr>
</tbody>
</table>
| Normalised combined ratio: 98.7% (~98% in 2014) | Slightly below annual target of ~€400m | Disposal gains offset derivative losses (hedging) and impairments

Life: Underlying performance across all regions almost compensates for single large mortality claims

Property-casualty: Benign major claims and substantial reserve releases

P-C: Combined ratio | % | Life: Technical result | €m | Return on investment | % |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>92.7</td>
<td>279</td>
<td>3.1</td>
<td>2014</td>
<td>89.7</td>
</tr>
</tbody>
</table>
Munich Re well positioned and relatively resilient to pressure on rates

**Reinsurance Property-casualty – January renewals 2016**

January renewals

- **Premium volume up for renewal:** €9.1bn
- **Price change:** ~1.0%
- **Volume change:** +0.7%

**Rate changes January renewals**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe/Latin America</td>
<td>~20</td>
<td>~20</td>
<td>~20</td>
<td>~20</td>
</tr>
<tr>
<td>Asia-Pacific</td>
<td>~20</td>
<td>~20</td>
<td>~20</td>
<td>~20</td>
</tr>
<tr>
<td>US/Global accounts</td>
<td>~20</td>
<td>~20</td>
<td>~20</td>
<td>~20</td>
</tr>
</tbody>
</table>

**Market range**

- Munich Re
- Brokers, media, own experts

**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
- 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

**Reinsurance Property-casualty – Portfolio quality**

**Sustainable earnings level supported by broad set-up**

**Total P-C book**

<table>
<thead>
<tr>
<th>Risk Solutions</th>
<th>Tailor-made solutions</th>
<th>Nat cat XL</th>
<th>Casualty</th>
<th>Other</th>
<th>American Modern</th>
</tr>
</thead>
<tbody>
<tr>
<td>28 (25)</td>
<td>18 (19)</td>
<td>10 (10)</td>
<td>47 (45)</td>
<td>23 (22)</td>
<td>23 (23)</td>
</tr>
</tbody>
</table>

**Total €18bn**

**Risk Solutions**

- Other traditional business 54 (57)
- Shift from property and casualty to specialty
- 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**

2. Aviation, marine and credit.
3. Part of Special and Financial Risks providing solutions for large corporate clients.
Risk Solutions –

Track record of solid result delivery is confirmed

Gross earned premiums and 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>€bn</td>
<td>2.9</td>
<td>3.4</td>
<td>3.8</td>
<td>4.0</td>
<td>4.2</td>
<td>5.0</td>
<td></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>%</td>
<td>89.6</td>
<td>90.8</td>
<td>87.9</td>
<td>83.8</td>
<td>88.6</td>
<td>90.3</td>
<td></td>
</tr>
</tbody>
</table>

Drivers in 2015:
- Top-line driven by FX and organic growth of US specialty entities
- Strong bottom-line supported by low major losses and reserve releases
- Highest result contribution from Hartford Steam Boiler

Highly valuable business segment with strong top- and bottom-line contribution – Detaches Munich Re from the cycle in reinsurance

1 Management view, not comparable with IFRS reporting.

Munich Re drives innovation in four key areas – Launches 2015 (selection)

**New clients and demands**
- Capital optimisation
  - “Capital Partners” combines structuring and technical expertise for integrated risk, financial and capital management
- Public-sector climate-risk insurance
  - Successful renewal of “African Risk Capacity” cat insurance pool

**New (re) insurance products**
- Cyber solutions for broad range of risks
  - Cooperations with multiple cyber security companies, enhancements of accumulation models/products
- Non-damage business interruption
  - “NDBI Pharma IQ” insurance for R&D of life-science companies
- Business-enabling for start-ups
  - Insurance for cash-in of pre-IPO firms’ employee shares

**New risk-related services**
- Primary insurance consulting
  - Dedicated consulting unit
- Predictive/preventive services
  - Early loss and claims fraud detection
- Claims service/assessment
  - Worldwide drones service

**New business models**
- Automation/digitalisation of processes
  - Data-analytics applications in underwriting and claims
- White-labelling solutions
  - “US Homeowners Inland Flood Coverage” leverages synergies between HSB, American Modern and Munich Re Princeton

**Innovation-related business steadily growing – currently generating a premium volume of ~€500m**

1 e.g. Digit@all, CyberOne
2 e.g. Fuzzy matching, text mining, natural language processing.
3 Munich Re (Group).
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)

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

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

1 Premium development.
2 Estimates based on different external sources (Marsh & McLennan, Barbican Insurance, Allianz).
3 CAGR

Cyber insurance market

US$m

<table>
<thead>
<tr>
<th>Year</th>
<th>PI</th>
<th>CAGR</th>
<th>RI</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>126</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>135</td>
<td>23%</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>191</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Outlook
- Understand the relevant start-up eco system
- Establish corporate partnerships
- Strategically evolve Munich Re business model

Environment to develop and test ideas together with clients
- Drastically reduce time-to-market through learning effects
- Speed up and improve loss experience
- Create new data insights
- Create added value for cedants and Munich Re (new products, new covers, new insights)
- Prepare for data-driven business models

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

1 Only reinsurance, some activities are joint with ERGO.
2 Munich-based accelerator for tech start-ups.
## 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

## Outlook 2016

### Munich Re (Group)

<table>
<thead>
<tr>
<th>Segment</th>
<th>Gross Premiums Written</th>
<th>Return on Investment</th>
<th>Net Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>ERGO</td>
<td>€47–49bn</td>
<td>~3%</td>
<td>€2.3–2.8bn</td>
</tr>
<tr>
<td><strong>Reinsurance</strong></td>
<td></td>
<td>Solid return given ongoing low interest-rate environment</td>
<td>RoRac target of 15% after tax over the cycle to stand</td>
</tr>
<tr>
<td>Munich Health</td>
<td></td>
<td>~99%</td>
<td>€2.3–2.8bn</td>
</tr>
</tbody>
</table>

### Reinsurance

<table>
<thead>
<tr>
<th>Segment</th>
<th>Combined Ratio</th>
<th>Net Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>ERGO</td>
<td>-98%</td>
<td>€250–350m</td>
</tr>
<tr>
<td>Munich Health</td>
<td></td>
<td>€50–100m</td>
</tr>
</tbody>
</table>

### ERGO

<table>
<thead>
<tr>
<th>Germany</th>
<th>Combined Ratio</th>
<th>Net Result</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>~95%</td>
<td>~99%</td>
</tr>
</tbody>
</table>

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.