Munich Re – Annual General Meeting 2020

Fact Book for Investors on Capital Authorisations

Munich RE

Image: Klaus Ohlenschläger / dpa Picture Alliance

Topics covered in this Fact Book

Munich RE

Agenda item 6: Buy-back of own shares

Munich RE

Volume	▪ Up to 10% of share capital ▪ At no time may the Company hold more than 10% of the share capital, including all shares that have been repurchased on the basis of earlier authorisations ("on-the-shelf")
Term	3 years (previously 5 years pursuant to resolution of the 2018 AGM)
Share buy-backs via the stock exchange	**Price range:** Reference price +10/-20% **Reference price:** arithmetic mean of XETRA closing prices of the last three trading days prior to the purchase via the stock exchange
Purchase via public offer or public solicitation to submit an offer to sell	**Price range:** Reference price +10/-20% **Reference price:** arithmetic mean of XETRA closing prices of the fifth, fourth and third trading day prior to the relevant date (publication of offer documents/acceptance of offer)

New: share buy-back requires approval of the Supervisory Board

Agenda item 7: Authorisation to issue convertible bonds etc. and contingent capital

Munich RE

Volume	▪ Nominal ca. €117m, corresponding to **19.90%** of share capital ▪ New: Joint upper limit for new shares from Contingent Capital 2020 and Authorised Capital 2017: **30%** of share capital
Term	5 years
Total nominal amount	€5bn (previously €3bn pursuant to resolution of the 2015 AGM)
Limit on exclusion of subscription rights	▪ Total maximum of **10%** of the share capital. ▪ Shares issued under exclusion of subscription rights based on other authorisations (e.g. from authorised capital or utilisation of own shares) are offset against this volume

Upper limit for capital authorisations – authorised capital and contingent capital

Authorisation	Authorised Capital 2017[1]	Contingent Capital 2020 (Agenda item 7)
Maximum volume	**33.00%** of share capital[2]	**19.90%** of share capital
Total upper limit	Overall maximum **30%** of share capital from the Authorised Capital 2017 and Contingent Capital 2020	

1 The Authorised Capital 2015 (for employee shares) expires on 22 April 2020 and will not be renewed.
2 By resolution of the AGM 2017: 47.64% of the share capital, but restricted to a maximum of 33% by supplementary resolution of the Board of Management.

Capital management at Munich Re

Munich RE

Rationale

- Munich Re is one of the world's leading risk carriers, and we have to ensure that our capital satisfies all applicable requirements. In addition to the capital requirements determined using our internal risk model, we must meet more far-reaching requirements from regulatory authorities, rating agencies and our key insurance markets. Furthermore, we need sufficient financial flexibility to take advantage of profitable opportunities for both organic and external growth. Our financial strength must also not be significantly affected by fluctuations in capital markets or major loss events.

- For us, adequate capitalisation means, on the one hand, that our equity capital does not permanently exceed that which is required in order not to unnecessarily reduce our return on capital and earnings per share.

  In this context, excess capital is returned to our shareholders via dividends and share buy-backs. The Company intends to continue to regularly review in detail the financial scope for share buy-backs and their advantages over other ways of using capital – measured against external conditions and internal planning – and to make responsible decisions in the interests of the Company and its shareholders. As in the past, we wish to avoid taking out loans to finance share buy-backs. By seeking to retire all repurchased shares as a matter of principle, share buy-backs remain a suitable instrument to fine-tune our capital base, giving the Company a reasonable degree of flexibility in addition to a dividend payment that is at least stable, if possible, and may increase over time.

  Our shareholders have different preferences as to whether capital should be returned by way of dividends and/or share buy-backs. From our perspective, the ratio between dividends and share buy-backs has been balanced in recent years. We prefer stable buy-back volumes over large, one-off buy-backs, as we believe that continuity is in the interests of our shareholders.

Capital management at Munich Re (continued)

Munich RE

Rationale

- Adequate capitalisation also means that our financial strength is not significantly impaired by fluctuations on the capital markets, and is fundamentally stable even after major loss events. In some cases, it can be sensible or necessary to increase the capital base to a required level again in the short term by raising funds on the capital markets.

  If profitable growth opportunities arise after large losses, for example, the Company could issue convertible bonds, bonds with warrants, profit participation rights or profit participation certificates (including combinations thereof) and hybrid financial instruments that meet the prerequisites for Tier 1 own-fund items to seize attractive financing opportunities on the market in order to inject capital into the business at low interest rates. The purpose of the proposed contingent capital increase is to satisfy the warrants or conversion rights granted under bonds, or to satisfy conversion obligations in respect of Company shares.

  We intend to extend the scope of the authorisation for the total nominal amount of convertible bonds etc. from €3bn to €5bn to take account of the growth of Munich Re (Group). The contingent capital provided for this purpose is to remain unchanged at €117m (corresponds to 19.9% of the current share capital).

- Our traditionally active capital management shows that we are a reliable partner for our clients and all stakeholders, and that our shareholders can rely on the optimal deployment of our capital.