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# Quarterly statement as at 30 September 2018

7 November 2018

Jörg Schneider

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# 9M result slightly above €2bn – Well on track to meet annual guidance

## Munich Re (Group)

### Net result

€483m (9M: €2,038m)

Strong ERGO result, also benefitting from one-offs – Robust reinsurance result despite accumulation of nat cat claims, higher taxes and FX losses

### Return on investment<sup>1</sup>

2.3% (9M: 2.8%)

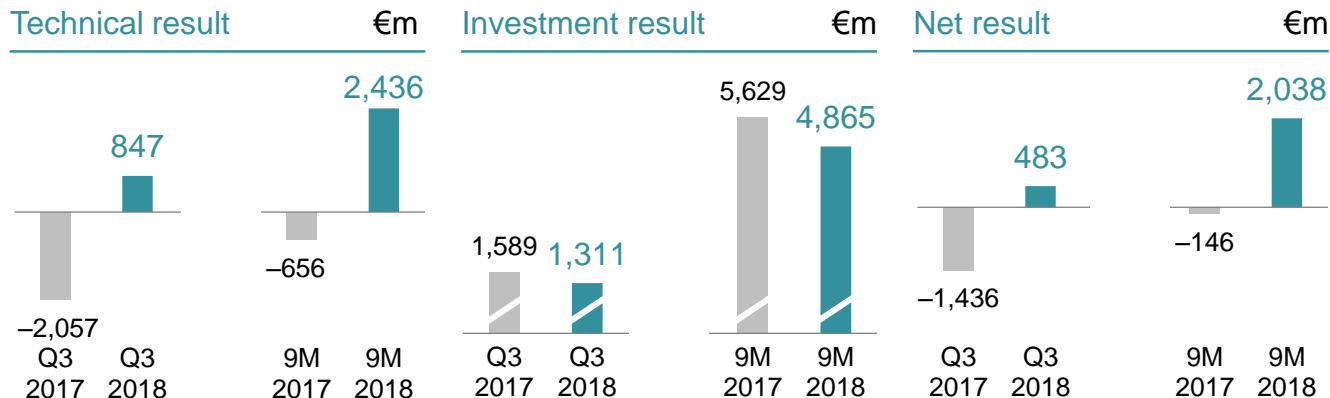
Reinsurance: 2.9%, ERGO: 1.9% – Low disposal gains: Less ZZR need and preservation of high valuation reserves

### Shareholders' equity

€27.1bn (–3.8% vs. 31.12.)

Solvency II ratio increased to >260%

Q3 2018 (9M 2018)



### Reinsurance

**Life and Health:** Technical result incl. fee income: €88m (incl. negative one-offs); (9M: €419m) – On course to achieve annual target of ≥€475m

**Property-casualty:** Combined ratio: 100.7% (9M: 97.3%) – Major-loss ratio: 12.5% (9M: 9.3%); Reserve release: ~4%

### ERGO

**Life and Health Germany:** Positive contribution from changed profit-share assumptions

**Property-casualty Germany:** Combined ratio: 94.7% (9M: 95.3%)

**International:** Burden from portfolio optimisation; Combined ratio: 93.3% (9M: 94.7%)

# IFRS capital position

Equity		€m
Equity 31.12.2017	28,198	Change Q3
Consolidated result	2,038	483
Changes		
Dividend	-1,286	0
Unrealised gains/losses	-1,535	-168
Exchange rates	225	29
Share buy-backs	-617	-200
Other	93	75
Equity 30.9.2018	27,117	218

## Unrealised gains/losses

Fixed-interest securities

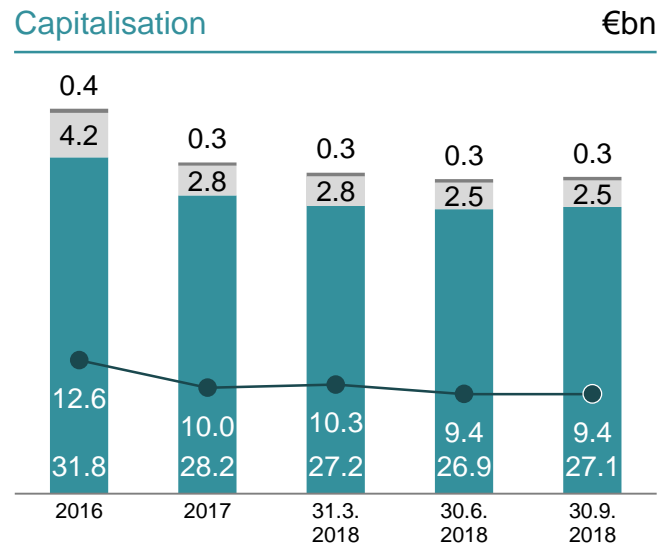
9M: **-€1,350m** Q3: **-€387m**

Non-fixed-interest securities

9M: **-€165m** Q3: **€232m**

## Exchange rates

FX effect mainly driven by US\$



● Debt leverage<sup>1</sup> (%)

■ Senior and other debt<sup>2</sup>

■ Subordinated debt

■ Equity

1%-point higher debt leverage corresponds to ~€0.3bn additional subordinated debt

1 Strategic debt (senior, subordinated and other debt) divided by total capital (strategic debt + equity).

2 Other debt includes Munich Re bank borrowings and other strategic debt.

# Investment portfolio

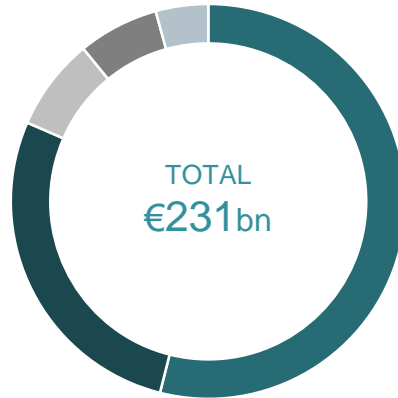
## Investment portfolio<sup>1</sup>

Land and buildings  
4.3 (3.4)

Miscellaneous<sup>2</sup>  
6.6 (6.2)

Shares, equity funds and participating interests<sup>3</sup>  
7.6 (7.3)

Loans  
27.6 (28.2)



Fixed-interest securities  
53.9 (54.9)

%

## Portfolio management in Q3

- Land and buildings: Increase due to updated market values
- Reallocations within government bond portfolio
- Further expansion of infrastructure investments
- Increase in equity quota at ERGO Life and Health Germany

# Investment result

Investment result (€m)	Q2 2018	Return <sup>1</sup>	Q3 2018	Return <sup>1</sup>	9M 2018	Return <sup>1</sup>	9M 2017	Return <sup>1</sup>
Regular income	1,836	3.2%	1,598	2.8%	4,927	2.8%	4,881	2.8%
Write-ups/write-downs	-140	-0.2%	-219	-0.4%	-475	-0.3%	-160	-0.1%
Disposal gains/losses	282	0.5%	46	0.1%	912	0.5%	1,739	1.0%
Derivatives <sup>2</sup>	-53	-0.1%	56	0.1%	-15	0.0%	-412	-0.2%
Other income/expenses	-165	-0.3%	-171	-0.3%	-485	-0.3%	-421	-0.2%
<b>Investment result</b>	<b>1,759</b>	<b>3.1%</b>	<b>1,311</b>	<b>2.3%</b>	<b>4,865</b>	<b>2.8%</b>	<b>5,629</b>	<b>3.2%</b>
<b>Total return</b>		<b>2.2%</b>		<b>2.3%</b>		<b>1.1%</b>		<b>1.0%</b>

3-month reinvestment yield		Q3 2018	Write-ups/ write-downs	Disposal gains/losses	Derivatives	9M 2018	Write-ups/ write-downs	Disposal gains/losses	Derivatives
Q3 2018	<b>2.5%</b>	Fixed income <sup>3</sup>	0	15	37	Fixed income <sup>3</sup>	-5	453	-95
		Equities	-151	88	-35	Equities	-314	434	-6
Q2 2018	2.3%	Commodities/inflation	-18		41	Commodities/inflation	-30		100
Q1 2018	1.9%	Other	-50	-57	13	Other	-126	25	-13

1 Annualised return on quarterly weighted investments (market values) in %. Impact from dividends on regular income: Q3 2018 0.2%-pts; 9M 2018 0.3%-pts.

2 Result from derivatives without regular income and other income/expenses. 3 Thereof interest-rate hedging ERGO: Q3 -€20m/-€5m (gross/net); 9M -€20m/-€7m (gross/net).

ERGO

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**Gross premiums written** €m

9M 2017		13,234
Foreign exchange		-56
Divestments/investments		0
Organic change		245
<b>9M 2018</b>		<b>13,423</b>

- **Property-casualty Germany<sup>1</sup> (+€80m)**  
Positive development in almost all lines of business, mainly in fire/property and marine
- **International (+€62m)**  
Growth due to P-C, primarily Poland and the Baltic states
- **Life and Health Germany<sup>1</sup> (+€47m)**  
Growth in Travel and Direct could overcompensate decrease in Life

**Major result drivers**

	9M 2018	9M 2017	
Technical result	880	493	▲ 387
Non-technical result	92	333	-241
thereof investment result	2,832	3,531	-699
Other	-614	-602	-12
<b>Net result</b>	<b>359</b>	<b>224</b>	<b>134</b>
	Q3 2018	Q3 2017	
Technical result	519	225	▲ 294
Non-technical result	-68	72	-140
thereof investment result	688	901	-213
Other	-278	-268	-11
<b>Net result</b>	<b>173</b>	<b>29</b>	<b>144</b>

**Technical result**

Q3: Improvements in all segments

- **L&H Germany:** Driven by a positive one-off effect due to changed profit share assumptions
- **International:** Primarily motor business in Poland as well as good performance in Health (Belgium and Spain)
- **P-C Germany:** Core business with favorable loss development

**Investment result**

- 9M: Lower disposal gains due to less ZZR need; valuation reserves preserved
- 9M: Higher result from derivatives, primarily equities and fixed income
- Q3: Return on investment: 1.9%

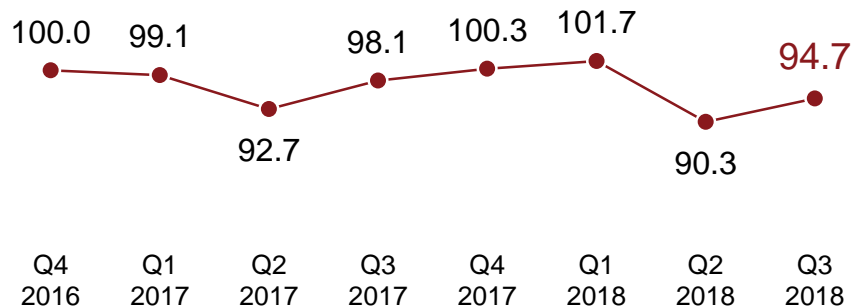
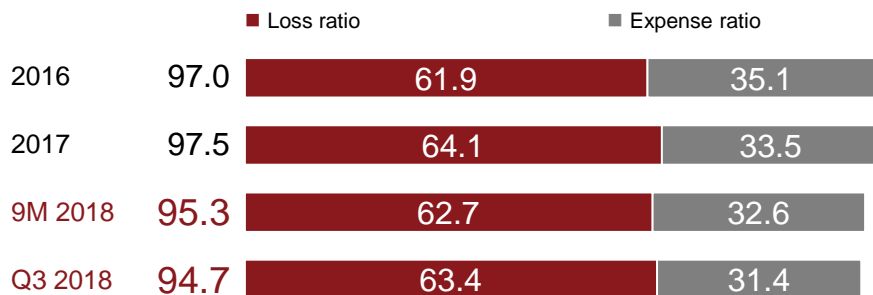
**Other**

- Q3: Higher deferred tax expenses



# ERGO Property-casualty Germany

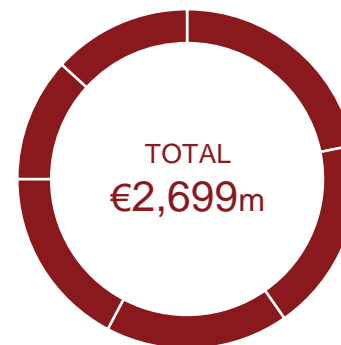
## Combined ratio %



## Gross premiums written 9M 2018 €m

Other	Motor
357	589

Legal protection  
318



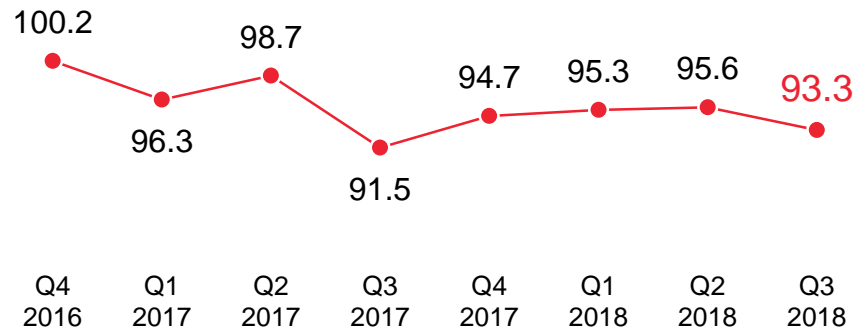
Fire/property  
499

Personal accident  
466

Liability  
471

# ERGO International – Property-casualty, including Health<sup>1</sup>

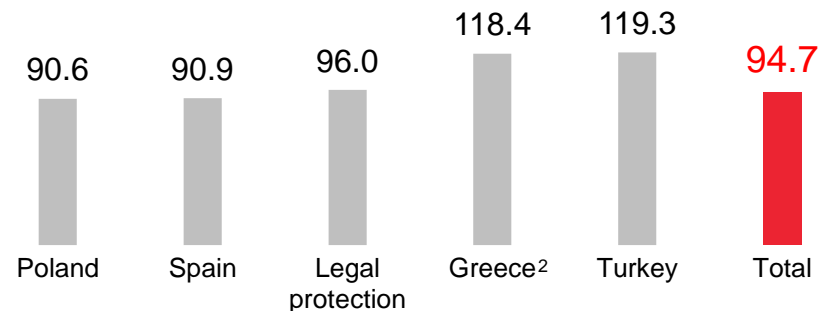
## Combined ratio %



## Gross premiums written 9M 2018 €m



## Combined ratio 9M 2018 %



# Reinsurance

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# Reinsurance Life and Health

## Gross premiums written

	€m
9M 2017	10,246
Foreign exchange	-412
Divestments/investments	0
Organic change	-1,855
<b>9M 2018</b>	<b>7,980</b>

- Negative FX effects mainly from US\$
- Termination/restructuring of two large capital relief transactions

## Major result drivers

	9M 2018	9M 2017	
Technical result	363	232	▲ 131
Non-technical result	386	238	149
thereof investment result	727	661	66
Other	-146	-173	27
<b>Net result</b>	<b>603</b>	<b>297</b>	<b>307</b>
	Q3 2018	Q3 2017	
Technical result	67	23	▲ 44
Non-technical result	137	78	59
thereof investment result	217	208	9
Other	-46	-42	-3
<b>Net result</b>	<b>159</b>	<b>59</b>	<b>100</b>

## Technical result incl. fee income of €419m

- 9M: In aggregate, favourable claims experience, especially in the US
- Q3: Negative impact related to sale of Ellipse and a large single claim in Canada
- Well on track to achieve annual target of ≥€475m

## Investment result

- 9M: High regular income supported by deposits retained on assumed re-insurance; disposal gains on equities and fixed income
- Q3: Return on investment: 3.4%

## Other

- 9M: FX result of -€4m vs. -€37m, thereof -€9m in Q3
- Q3: Low tax rate of 15.1%

# Reinsurance Property-casualty

Gross premiums written	€m
9M 2017	13,524
Foreign exchange	-825
Divestments/investments	-
Organic change	3,002
<b>9M 2018</b>	<b>15,701</b>

- Negative FX effects mainly from US\$
- Strong growth from new and existing treaties, mainly in motor and property lines

Major result drivers	€m		
	9M 2018	9M 2017	▲
Technical result	1,193	-1,381	2,574
Non-technical result	406	462	-56
thereof investment result	1,306	1,436	-130
Other	-523	252	-776
<b>Net result</b>	<b>1,076</b>	<b>-667</b>	<b>1,743</b>
	Q3 2018	Q3 2017	▲
Technical result	261	-2,306	2,566
Non-technical result	124	176	-52
thereof investment result	405	479	-74
Other	-234	605	-839
<b>Net result</b>	<b>151</b>	<b>-1,525</b>	<b>1,675</b>

## Technical result

- 9M: Benefit from low major losses in Q1
- Q3: Significant nat cat losses (esp. Jebi, Florence) mitigated by positive run-off for prior-year major losses of 5.5%-pts.
- Q3: Elevated basic losses mainly due to larger losses below outlier threshold in North American Risk Solutions business

## Investment result

- 9M: Increased regular income; disposal gains mainly from equities
- Q3: Return on investment: 2.7%

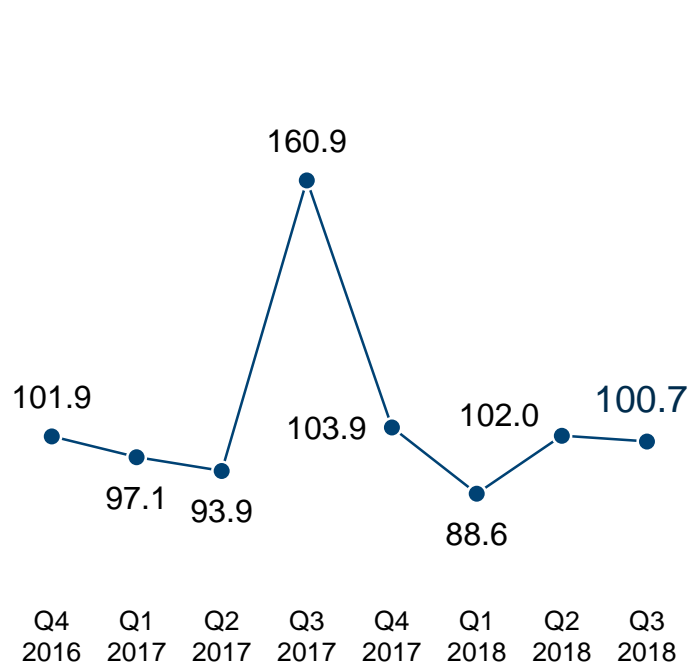
## Other

- 9M: FX result of -€80m vs. -€168m, thereof -€81m in Q3
- Q3: Tax rate of 48.8%

# Combined ratio

## Combined ratio

%



		Basic losses	Major losses	Expenses
2016	95.7	54.2	9.1	32.4
2017	114.1	54.8	25.8	33.5
9M 2018	97.3	54.8	9.3	33.3
Q3 2018	100.7	55.3	12.5	33.0

	Major losses	Nat cat	Man-made	Reserve releases <sup>1</sup>	Normalised combined ratio <sup>2</sup>
9M 2018	9.3	4.1	5.2	-4.2	100.1
Q3 2018	12.5	10.5	2.0	-4.0	99.9
Ø Annual expectation	~12.0	~8.0	~4.0	~-4.0	

1 Basic losses prior years, already adjusted for directly corresponding sliding-scale and profit commission effects.  
 2 Based on 4%-pts. reserve releases; adjusted for extraordinary commission effect (Q3: 0.4%-pts. / 9M: 0.1%-pts.).

Outlook

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## GROUP

Gross premiums written  
**€48–49bn**  
(prev. €46–49bn)

Net result  
**€2.1–2.5bn**

Return on investment  
**~3%**

## REINSURANCE

Gross premiums written  
**~€31bn**  
(prev. €29–31bn)

Net result  
**€1.8–2.2bn**

P-C combined ratio<sup>1</sup>  
**~97%**

L/H technical result incl. fee income  
**≥€475m**

## ERGO

Gross premiums written  
**€17–18bn**

Net result  
**>€350m**  
(prev. €250–300m)

P-C combined ratio  
Germany **~96%** International **~96%**

<sup>1</sup> Expectation for reserve releases in 2018 at least 4%.



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