

# Half-year financial report as at 30 June 2019

7 August 2019



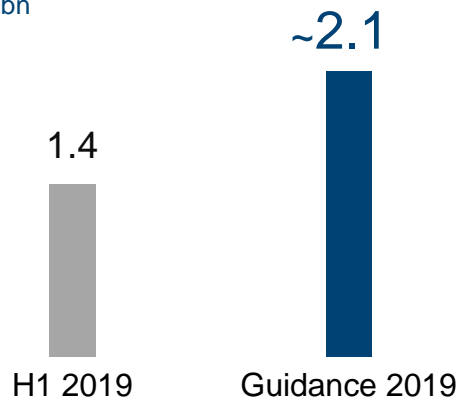


1	Overview	3
2	Munich Re (Group)	9
3	<b>ERGO</b>	14
4	Reinsurance	18

# At the half-way stage of our 2020 strategic ambition, we are well on track

## REINSURANCE

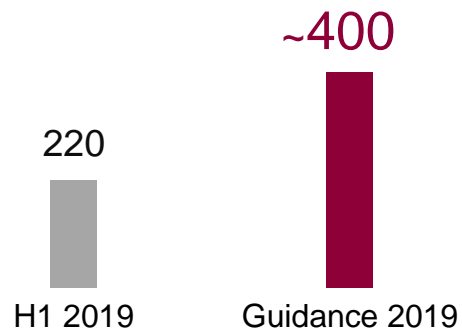
NET RESULT  
€bn



Sound reserving position and low level of major losses in P-C

## ERGO

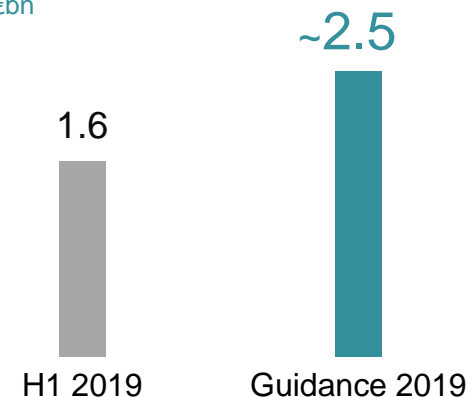
NET RESULT  
€m



ESP well on track – pleasing profitability across all segments

## GROUP

NET RESULT  
€bn



Unchanged guidance given the usual uncertainty concerning developments in major losses in H2

# Consistent progress towards our 2020 strategic ambition – Select highlights of H1 2019



## INCREASE EARNINGS

### REINSURANCE

- Focus on profitable organic growth (US, cyber, niche business)
- Cost savings reinvested into new business models



## REDUCE COMPLEXITY

- Global single-risk unit established, pooling together ~560 employees
- Re-engineering and automation of accounting processes (~100 FTEs)



## DIGITAL TRANSFORMATION

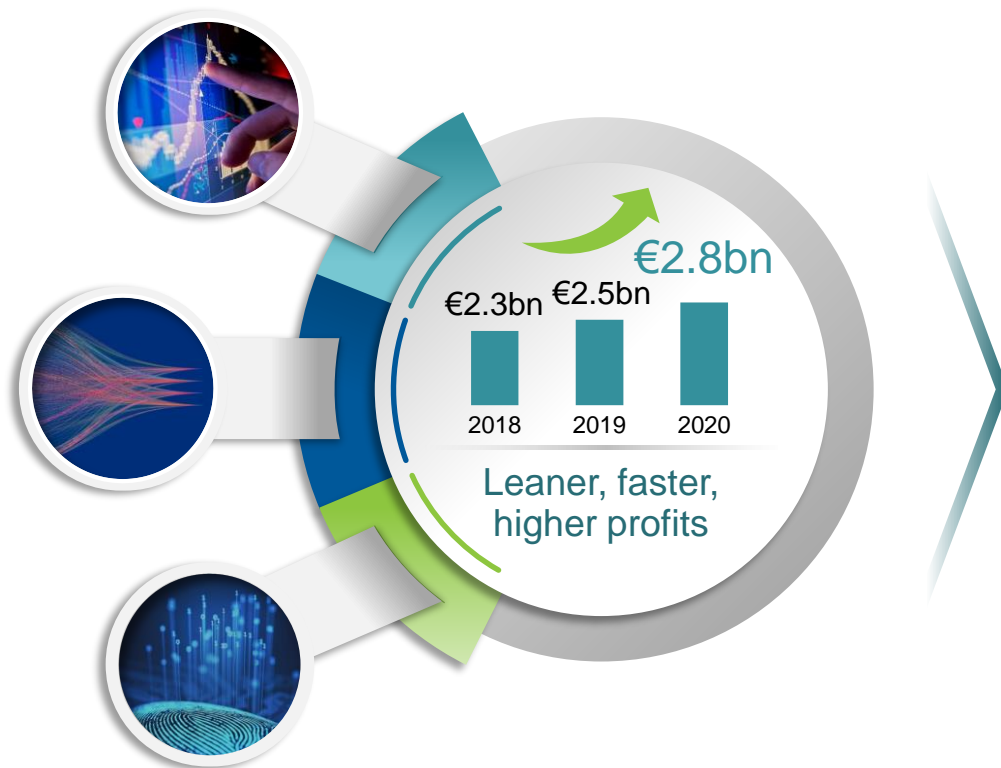
- A good number of newly developed business models and platforms already productive and ready to scale up

### ERGO

- Announced merger HDFC ERGO / Apollo Munich in India
- ~€200m or ~71% of 2020 target cost reduction already achieved
- Sale of 18 subscale subsidiaries completed
- ERGO Direkt and ERV brands merged under ERGO umbrella
- SAP platform for B2B2C mobility business launched
- Proof points for robotics achieved, already able to process ~350k transactions p.a.

The Group is building the basis to become faster, leaner and increase earnings

# Increasing confidence level to deliver on next year's targets as a basis for our mid-term strategy

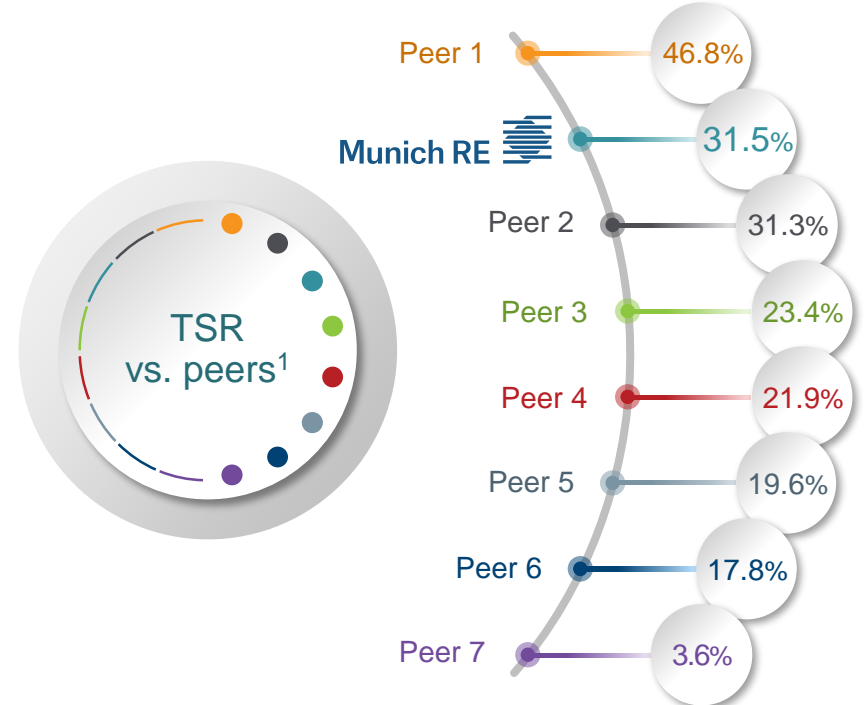


Focus on our three pillars is paying off, both strategically and financially

We take care of our long-term TSR development and seek top 3 position in our peer group

# Our market performance since 2018 – We are in the top 3 among our peer group

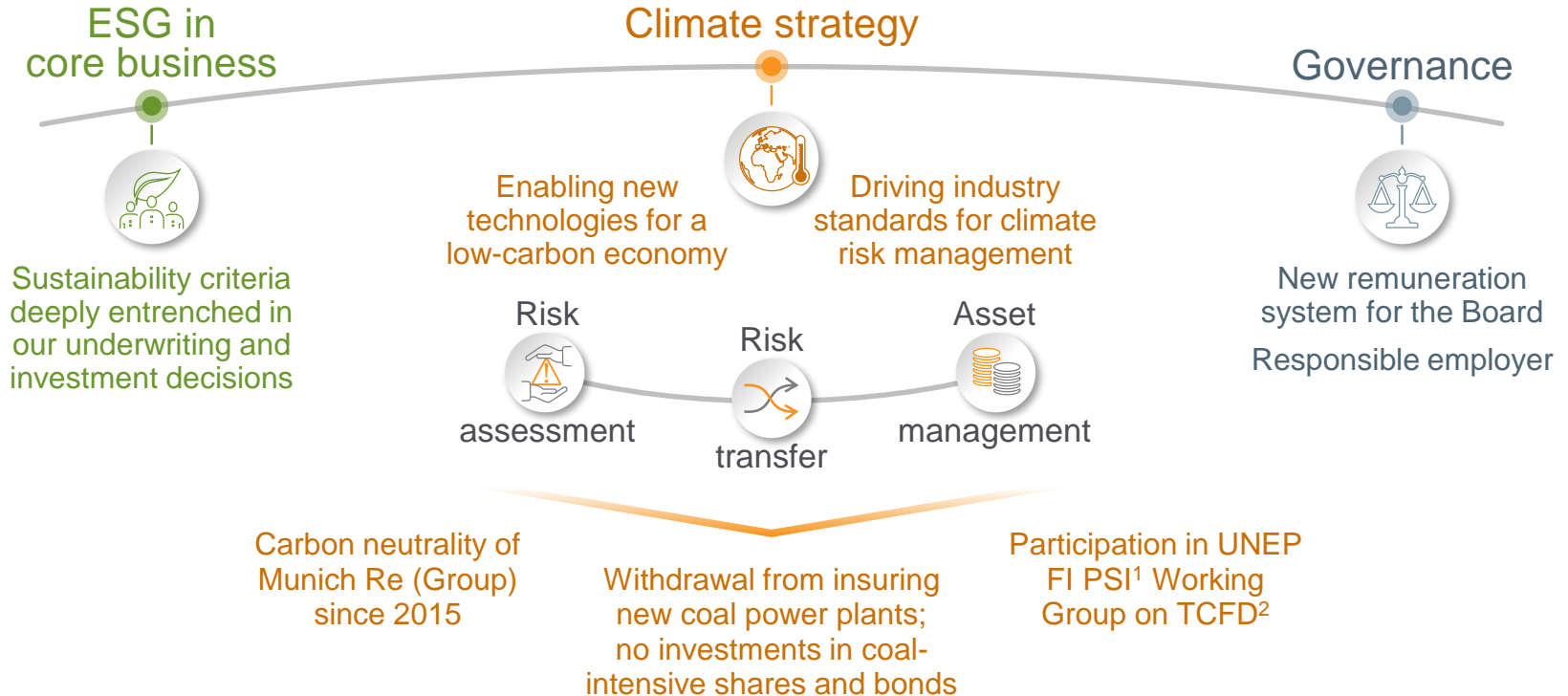
Committed to leveraging drivers of TSR ... ... to deliver attractive returns to our shareholders



<sup>1</sup> Source: Datastream. Period from 1.1.2018 to 31.7.2019. Peers: Allianz, Axa, Generali, Hannover Re, Scor, Swiss Re, Zurich.



# Systematically integrating sustainability criteria when creating value



## GROUP

Gross premiums written  
~€49bn

Net result<sup>1</sup>  
~€2.5bn

Return on investment  
~3%

## ERGO

Gross premiums written  
~€17.5bn

Net result  
~€0.4bn

Combined ratio  
P-C Germany  
~93%

International  
~95%

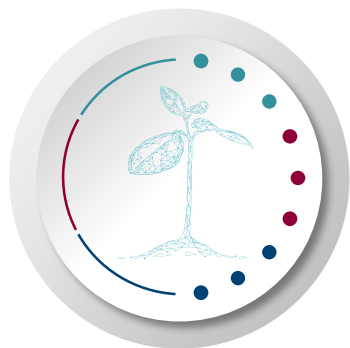
## REINSURANCE

Gross premiums written  
~€31bn

Net result  
~€2.1bn

Combined ratio  
Property-casualty<sup>2</sup>  
~98%

Life and Health  
Technical result incl. fee income<sup>3</sup>  
~€500m





Munich Re (Group)



# After strong Q2 result, well underway to meet annual guidance

## MUNICH RE (GROUP)

### Net result

€993m (€1,626m)

Low level of major losses in P-C Reinsurance – Strong ERGO result of €135m

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

3.1% (3.0%)

Solid return supports full-year guidance – Reinvestment yield slightly up to 2.2%

### Shareholders' equity

€29.5bn (+11.5% vs. 31.12.)

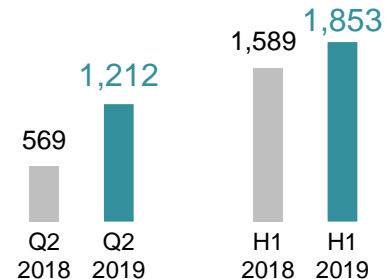
Return on equity<sup>1</sup>: 13.6% (11.5%)  
Solvency II ratio: ~245%

<sup>1</sup> Annualised.

## Q2 2019 (H1 2019)

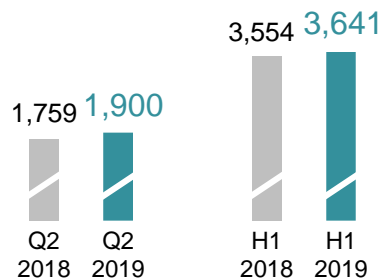
### Technical result

€m



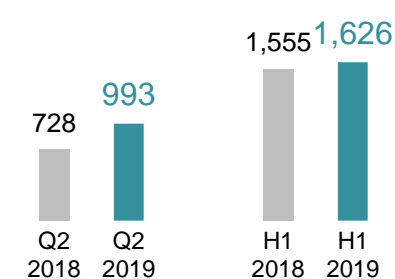
### Investment result

€m



### Net result

€m



### Reinsurance

**Life and Health:** Technical result incl. fee income: €64m (€169m) – ongoing negative trend in Australia

**Property-casualty:** Combined ratio (C/R): 87.7% (92.8%) – Major-loss ratio: 4.1% (6.9%); Reserve releases for prior-year basic losses: 7.3% (5.7%)

**July renewals:** Risk-adjusted price change: ~ +0.5%, premium change: +8.9%

### ERGO

**L&H Germany:** Strong investment result and higher shareholder profit participation

**Property-casualty Germany:** C/R: 86.2% (91.9%) – Benign claims

**International:** C/R: 95.0% (95.2%); disposal loss (Turkey)

# IFRS capital position

## Equity

	€m		€m
Equity 31.12.2018	26,500		
Consolidated result	1,626		993
Changes			
Dividend	-1,335		-1,335
Unrealised gains/losses	3,480		1,414
Exchange rates	126		-200
Share buy-backs	-389		-109
Other	-465		-211
Equity 30.6.2019	29,543		

## Unrealised gains/losses

Fixed-interest securities

H1: €2,667m Q2: €1,301m

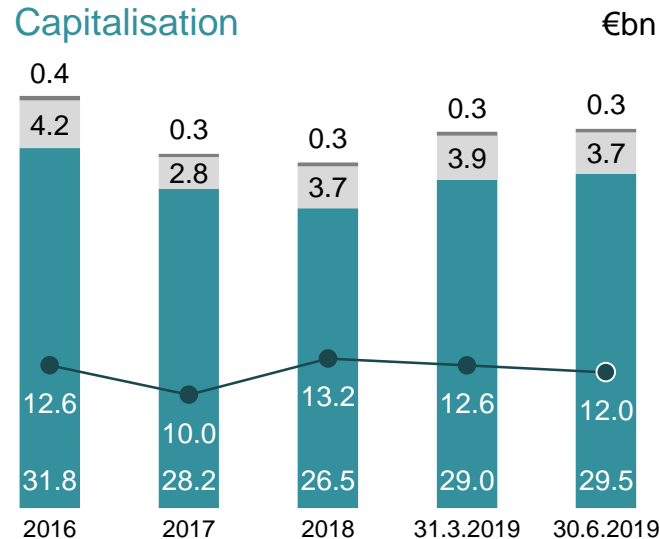
Non-fixed-interest securities

H1: €814m Q2: €117m

## Exchange rates

FX effect mainly driven by US\$

## Capitalisation



- Debt leverage<sup>1</sup> (%)
- Senior and other debt<sup>2</sup>
- Subordinated debt
- Equity

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

<sup>2</sup> Other debt includes Munich Re bank borrowings and other strategic debt.

# Investment portfolio

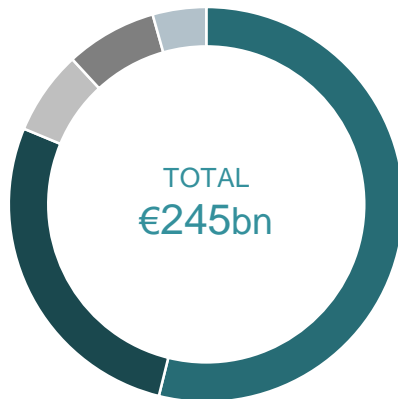
## Investment portfolio<sup>1</sup>

Land and buildings  
4.4 (4.6)

Miscellaneous<sup>2</sup>  
7.5 (7.7)

Shares, equity funds and participating interests<sup>3</sup>  
6.9 (6.2)

Loans  
27.4 (27.7)



%

Fixed-interest securities  
53.9 (53.8)

## Portfolio management in Q2

- Ongoing geographic diversification and longer duration stabilise reinvestment yield
- Decrease of short-term investments due to dividend payment
- Increase of infrastructure debt
- Equity quota net of hedges 5.5% – derivatives position slightly expanded

# Investment result

€m		Q2 2019	Return <sup>1</sup>	H1 2019	Return <sup>1</sup>	H1 2018	Return <sup>1</sup>
Regular income		1,848	3.0%	3,459	2.9%	3,329	2.9%
Write-ups/write-downs		–98	–0.2%	–181	–0.2%	–256	–0.2%
Disposal gains/losses		436	0.7%	1,038	0.9%	866	0.7%
Derivatives <sup>2</sup>		–97	–0.2%	–329	–0.3%	–70	–0.1%
Other income/expenses		–189	–0.3%	–346	–0.3%	–314	–0.3%
<b>Investment result</b>		<b>1,900</b>	<b>3.1%</b>	<b>3,641</b>	<b>3.0%</b>	<b>3,554</b>	<b>3.1%</b>
<b>Total return</b>			<b>11.7%</b>		<b>12.1%</b>		<b>0.5%</b>

3-month reinvestment yield	Q2 2019	Write-ups/ write-downs	Disposal gains/losses	Derivatives	H1 2019	Write-ups/ write-downs	Disposal gains/losses	Derivatives
Q2 2019 <b>2.2%</b>	Fixed income	–9	313	174	Fixed income	–17	682	189
	Equities	–94	60	–225	Equities	–162	248	–545
Q1 2019 <b>2.1%</b>	Commodities/Inflation	33	0	–27	Commodities/Inflation	38	0	21
Q4 2018 <b>2.1%</b>	Other	–29	64	–19	Other	–40	108	7

ERGO



## Gross premiums written

	€m
H1 2018	9,199
Foreign exchange	-28
Divestments/investments	-56
Organic change	97
<b>H1 2019</b>	<b>9,212</b>

- **Property-casualty Germany<sup>1</sup> (+€88m):** Significant growth in fire/property, liability and marine; positive development by earlier receipt of some large contracts in broker channel
- **Life and Health Germany<sup>1</sup> (+€24m):** Positive development in Health, Travel and Digital Ventures; decline in Life despite growth from new products
- **International (-€99m):** Lower premium volume mainly due to divestments

## Major result drivers

	H1 2019	H1 2018	▲	Q2 2019	Q2 2018	▲
Technical result	443	360	82	266	229	37
Non-technical result	206	160	46	141	67	74
thereof investment result	2,231	2,144	87	1,116	960	155
Other	-428	-335	-93	-272	-188	-83
<b>Net result</b>	<b>220</b>	<b>185</b>	<b>35</b>	<b>135</b>	<b>108</b>	<b>27</b>

## Technical result

H1: Improvements driven by

- P-C Germany (+€58m), increase in almost all lines; very good C/R of 86.2% in Q2 driven by profitable premium growth as well as an overall good claims experience and
- L&H Germany (+€40m), esp. due to changed assumptions on policyholder participations

Decrease in International (-€16m): lower results in Life and Health could not be compensated by improvement in P-C

## Investment result

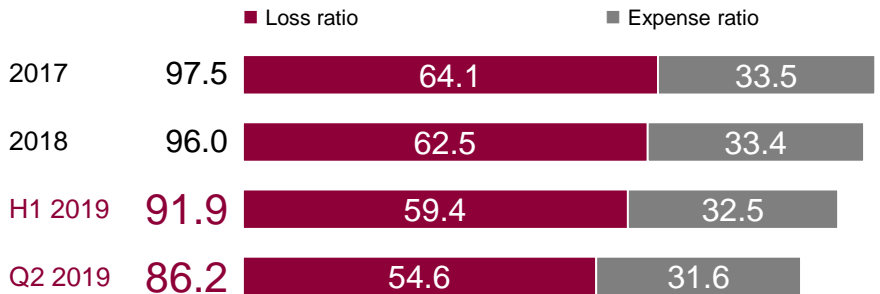
- H1: Increase primarily due to high disposal gains and an increased result from interest-rate derivatives
- Q2: Return on investment: 2.9%

## Other

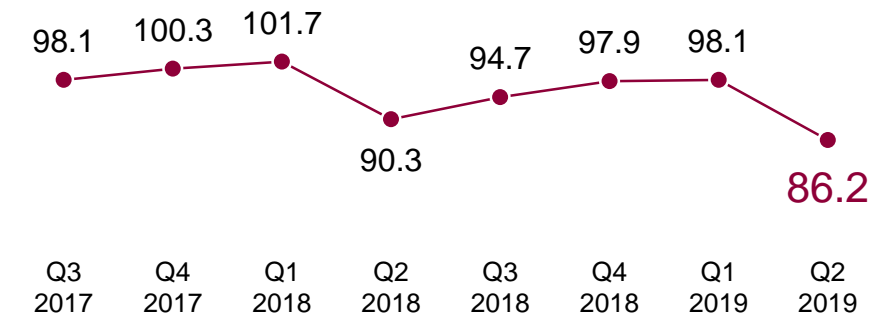
- H1: FX result declined, mainly in International
- H1: Normalisation of tax expenses in 2019

# ERGO Property-casualty Germany

## Combined ratio



%



## Gross premiums written

€m

Other

267 (231)

Motor

450 (452)

Legal protection

219 (219)

Fire/property

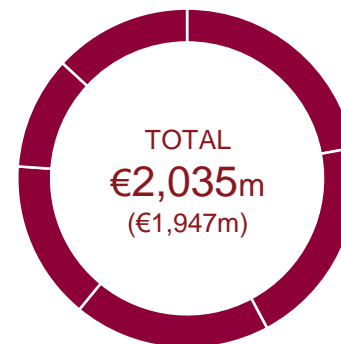
409 (372)

Personal accident

309 (314)

Liability

382 (359)

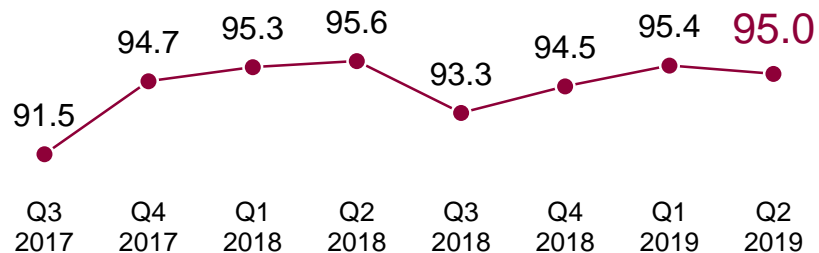




# ERGO International

## Combined ratio

%

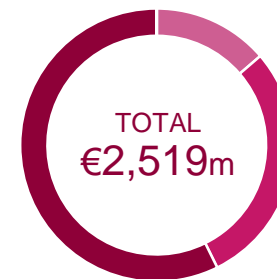


## Gross premiums written

€m

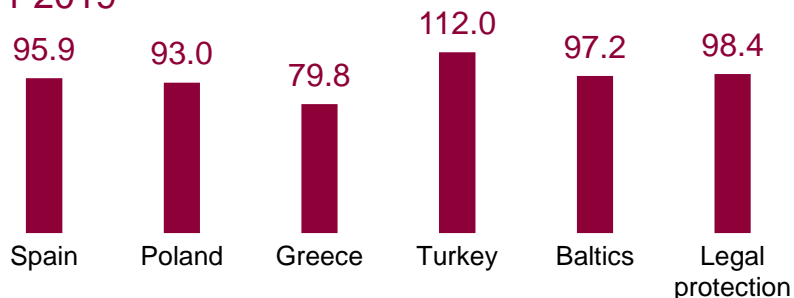
Property-casualty  
1,444 (1,478)

Life  
345 (434)



Health  
731 (707)

## H1 2019



P-C	H1 2019	H1 2018	Life	H1 2019	H1 2018
thereof:			thereof:		
Poland	743	706	Austria	181	195
Legal protection	320	350	Belgium	77	88
Greece	120	128	Health		
Baltics	96	91	thereof:		
Turkey	59	84	Spain	426	414
			Belgium	305	293

# Reinsurance



# Reinsurance Life and Health

## Gross premiums written

	€m
H1 2018	5,174
Foreign exchange	166
Divestments/investments	0
Organic change	296
<b>H1 2019</b>	<b>5,636</b>

- Positive FX effects mainly driven by US\$
- Organic growth in Asia and Europe

## Major result drivers

	H1 2019	H1 2018	▲	Q2 2019	Q2 2018	▲
Technical result	114	296	-182	36	156	-120
Non-technical result	281	249	32	170	167	2
thereof investment result	580	510	70	340	302	38
Other	-60	-100	40	-51	-38	-13
<b>Net result</b>	<b>335</b>	<b>444</b>	<b>-110</b>	<b>154</b>	<b>285</b>	<b>-131</b>

### Technical result, incl. fee income of €169m

- Q2 negatively impacted by
  - Australia: Negative claims experience in disability business and DAC write-off related to “protect your super” legislation
  - Canada: Shortening of asset duration
- Overall, claims experience in line with expectations in all major markets except for Australia

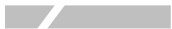




### Investment result

- Disposal gains due to shortening of asset duration in Canada exceeding reduction in the technical result
- Q2: Return on investment: 4.9%

### Other

- H1: FX result of €42m vs €5m, thereof €22m in Q2

# Reinsurance Property-casualty

Gross premiums written		€m
H1 2018		9,940
Foreign exchange		380
Divestments/investments		-98
Organic change		104
<b>H1 2019</b>		<b>10,327</b>

- Positive FX effects mainly driven by US\$
- Sale of MSP Underwriting
- Organic growth mainly in liability

## Major result drivers

	H1 2019	H1 2018	▲	Q2 2019	Q2 2018	▲
Technical result	1,297	933	364	910	184	726
Non-technical result	104	283	-179	47	194	-147
thereof investment result	830	900	-70	445	496	-51
Other	-330	-290	-40	-253	-43	-210
<b>Net result</b>	<b>1,071</b>	<b>925</b>	<b>146</b>	<b>704</b>	<b>335</b>	<b>369</b>

### Technical result

- Very low major losses, especially in Q2
- Q2: Transactions with corresponding release of basic-loss reserves and particularly favourable development in some lines of business
- Q2: Elevated normalised combined ratio due to seasonality effects and adverse claims development in our North American Risk Solutions business

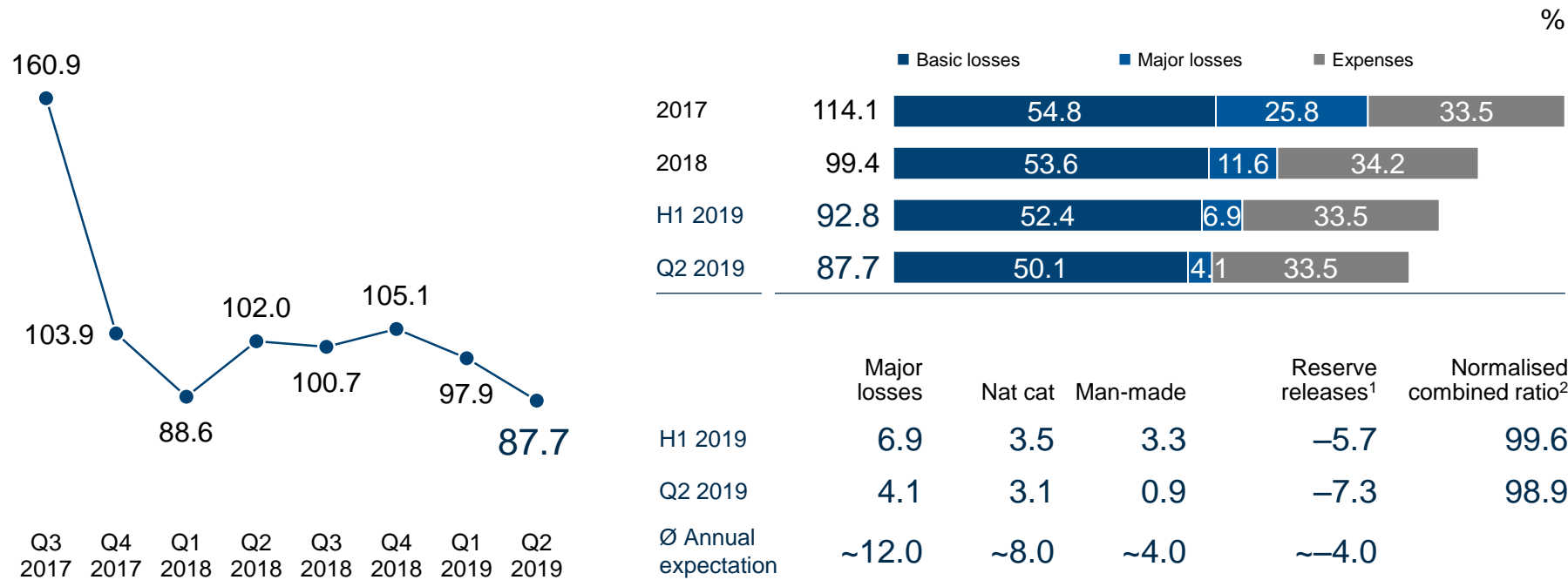
### Investment result

- Increased regular income and disposal gains from sale of fixed income investments
- Q2: Return on investment: 2.8%

### Other

- H1: FX result of €114m (€1m), thereof €75m in Q2

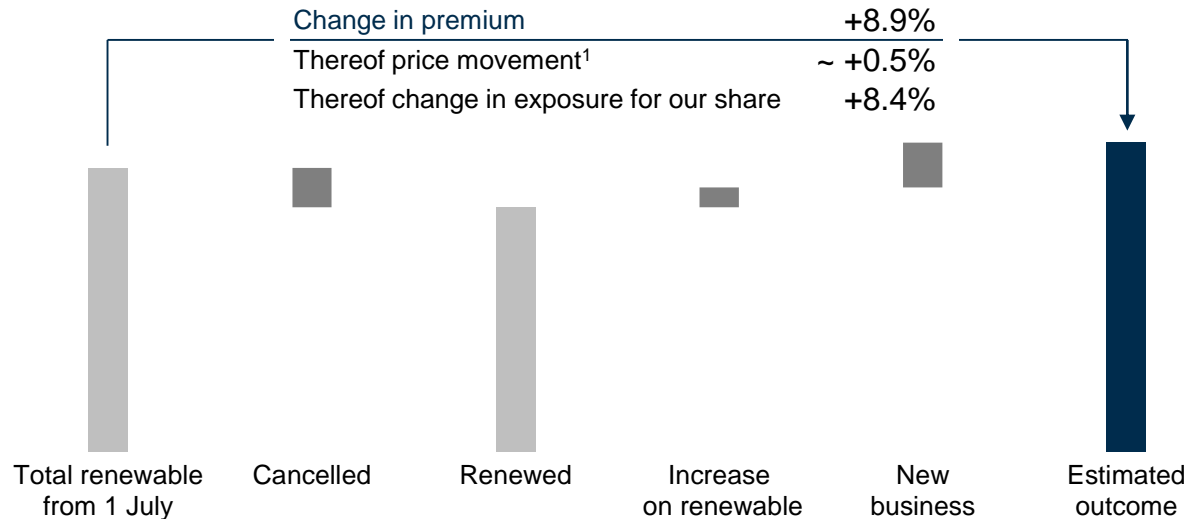
# Reinsurance Property-casualty – Combined ratio



# Positive price dynamic continues

## July renewals 2019

%	100	-13.9	86.1	6.9	15.8	<b>108.9</b>
€m	3,212	-445	2,767	223	507	<b>3,497</b>



- Munich Re able to continue its growth, and in particular to generate attractive new business in the Americas
- Significant price improvement in loss-affected markets, stable development elsewhere
- Overall risk-adjusted price change of ~0.5% includes increased loss expectations

<sup>1</sup> Price movement is risk-adjusted, i.e. includes claims inflation/loss trend and is adjusted for portfolio mix effects, including cancelled and new business.

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