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# Quarterly statement as at 30 September 2016

9 November 2016

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# Business highlights Q3 2016

Developing **innovative propositions** with **digital insurance start-ups** and digital **verticals**, e.g. Slice, Trov

ERGO **completes** acquisition of ATE and becomes **largest property-casualty** insurer in Greece

ERGO **Strategy Programme well on track** – Reconciliation of interests' agreement for German sales force **reached** in August

July **renewals** with signs of price **stabilisation** – Munich Re almost entirely **offsets** decreases by writing **attractive** new business

**Excellent position** in the Dow Jones **Sustainability** Indices – for the **15th** consecutive year

Global No. **13** on Fortune's Change the **World Top 50** List

New **big-data-based** platform **M.I.N.D.** improves clients' **risk management** in Mexico

Munich Health study<sup>1</sup> shows **private health insurance** in China will surge **fivefold** to RMB **1.1** trillion by 2020

Developing a new **Pandemic** product which provides insurance **solutions** for companies that could suffer financial **loss** as a result of **epidemics**

# After pleasing Q3 result, annual profit to significantly exceed €2.3bn guidance

## Munich Re (Group)

### Net result

€684m (9M: €2,095m)

Good underwriting performance across most segments – investment result in line with expectations

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

2.7% (9M: 3.4%)

Resilient return given low interest rates – increased value of equity portfolio but write-downs of hedges

### Shareholders' equity

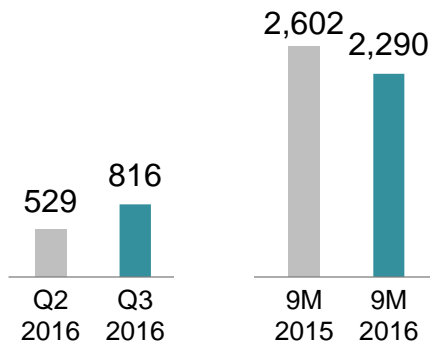
€32.4bn (+1.1% vs. 30.6.)

Further increase of valuation reserves – Solvency II ratio stable at ~250%

<sup>1</sup> Annualised.

### Technical result

€m



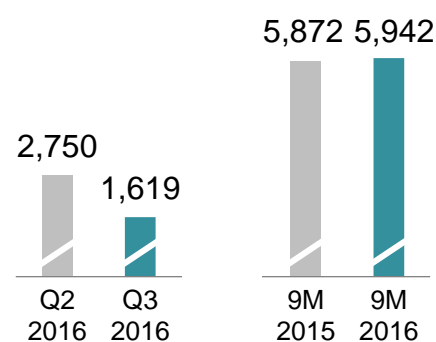
### Reinsurance

Life: Technical result €146m (9M: €318m) – Well on track to achieve annual target of €400m

P-C: Combined ratio 92.5% (9M: 93.7%) – Major-loss ratio 6.6% (9M: 7.2%)

### Investment result

€m



### ERGO

L/H Germany: Result impacted by low interest rates

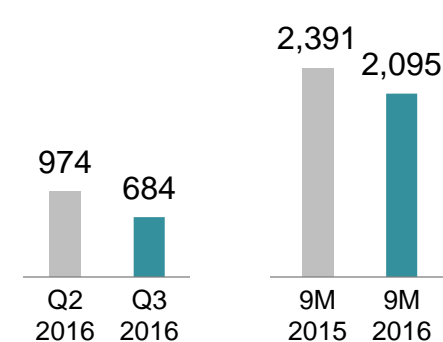
P-C: Combined ratio 96.1% (9M: 96.0%)

International: Combined ratio 98.6% (9M: 98.5%)

Q3 2016 (9M 2016)

### Net result

€m











### Munich Health

Reinsurance: Combined ratio 98.7% (9M: 100.9%)

Primary insurance: Combined ratio 86.8% (9M: 92.6%)

# IFRS capital position

## Equity

		€m		€m
Equity 31.12.2015	30,966		Change Q3	
Consolidated result	2,095			684
Changes				
Dividend	-1,329			–
Unrealised gains/losses	2,315			304
Exchange rates	-565			-177
Share buy-backs	-711			-318
Other	-416			-149
Equity 30.9.2016	32,355			343

## Unrealised gains/losses

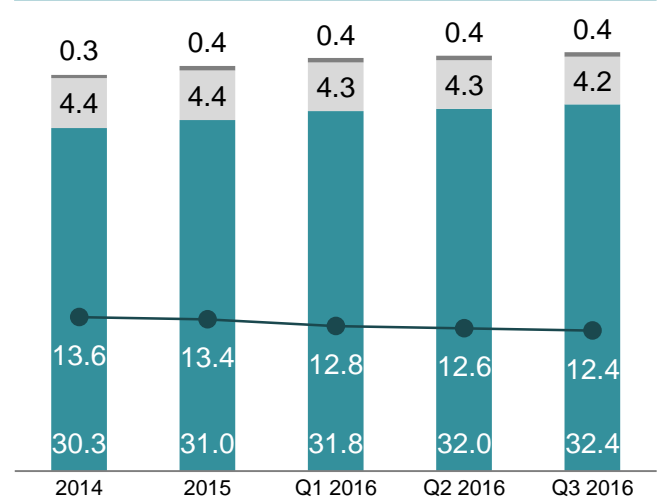
Fixed-interest securities  
9M: +€2,353m Q3: +€84m





Non-fixed-interest securities  
9M: -€31m Q3: +€222m

## Exchange rates

FX effect mainly driven by US\$

## Capitalisation



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

# Investment portfolio

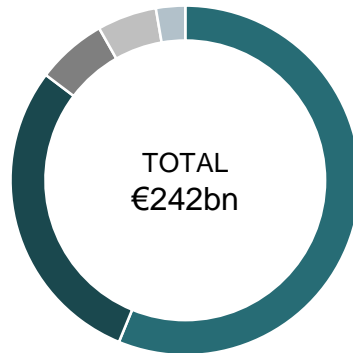
## Investment portfolio<sup>1</sup>

Land and buildings  
2.7 (2.9)

Shares, equity funds and participating interests<sup>2</sup>  
5.5 (5.2)

Miscellaneous<sup>3</sup>  
6.5 (7.5)

Loans  
29.1 (28.7)



Fixed-interest securities  
56.2 (55.7)

%

## Portfolio management in Q3

- Ongoing geographic diversification
- Slight increase in corporate bonds
- Reduction of cash and bank bonds
- Increase of net equity exposure to 4.4%
- Increase of asset duration in reinsurance

<sup>1</sup> Fair values as at 30.9.2016 (31.12.2015). <sup>2</sup> Net of hedges: 4.4% (4.8%). <sup>3</sup> Deposits retained on assumed reinsurance, deposits with banks, investment funds (excl. equities), derivatives and investments in renewable energies and gold.

# Investment result

## Investment result

€m

	Q2 2016	Return <sup>1</sup>	Q3 2016	Return <sup>1</sup>	9M 2016	Return <sup>1</sup>	9M 2015	Return <sup>1</sup>
Regular income	1,823	3.1%	1,550	2.6%	5,001	2.8%	5,588	3.1%
Write-ups/write-downs	–22	–0.0%	–43	–0.1%	–284	–0.2%	–653	–0.4%
Disposal gains/losses	910	1.5%	696	1.2%	1,823	1.0%	2,321	1.3%
Derivatives <sup>2</sup>	176	0.3%	–446	–0.7%	–196	–0.1%	–999	–0.6%
Other income/expenses	–137	–0.2%	–137	–0.2%	–402	–0.2%	–385	–0.2%
<b>Investment result</b>	<b>2,750</b>	<b>4.7%</b>	<b>1,619</b>	<b>2.7%</b>	<b>5,942</b>	<b>3.4%</b>	<b>5,872</b>	<b>3.3%</b>
<b>Total return</b>		<b>8.9%</b>		<b>5.8%</b>		<b>9.3%</b>		<b>0.7%</b>

3-month reinvestment yield	Q3 2016	Write-ups/ write-downs	Disposal gains/losses	Derivatives	9M 2016	Write-ups/ write-downs	Disposal gains/losses	Derivatives
Q3 2016 1.8%	Fixed income <sup>3</sup>	15	506	–50	Fixed income <sup>3</sup>	–25	1,620	356
	Equities	–41	190	–421	Equities	–296	334	–538
Q2 2016 1.6%	Commodities/Inflation			7	Commodities/Inflation	78		–14
Q1 2016 1.9%	Other	–17	–1	18	Other	–41	–131	1

<sup>1</sup> Annualised return on quarterly weighted investments (market values) in %.

<sup>2</sup> Result from derivatives without regular income and other income/expenses.

<sup>3</sup> Thereof interest-rate hedging ERGO: Q3 €48m/€7m (gross/net); 9M €494m/€59m (gross/net).

ERGO

2



## 9M 2016 vs. 9M 2015

**Gross premiums written** €m

9M 2015		12,490
Foreign exchange		-98
Divestments/investments		-47
Organic change		-209
<b>9M 2016</b>		<b>12,136</b>

- Life and Health Germany (–€202m)  
Property-casualty Germany (+€36m)  
International (–€189m)
- Life Germany: Decline of regular premiums due to ordinary attrition while single premiums suffered from lower product sales
- Property-casualty Germany: positive development in almost all lines of business
- International: Increase in Property-casualty, decrease Life (esp. Poland, Belgium and disposal of Italian entity)

**Major result drivers**

	9M 2016	9M 2015	▲
Technical result	298	453	–154
Non-technical result	419	236	183
thereof investment result	4,126	3,703	423
Other	–828	–272	–556
<b>Net result</b>	<b>–111</b>	<b>417</b>	<b>–528</b>

	Q3 2016	Q2 2016	▲
Technical result	22	153	–131
Non-technical result	58	292	–234
thereof investment result	1,022	1,727	–705
Other	–132	–479	347
<b>Net result</b>	<b>–52</b>	<b>–34</b>	<b>–18</b>

**Technical result**

- 9M: L/H Germany (–€55m), mainly due to usual assessment of interest-rate assumptions in Q3 in Life
- in Q3 9M: P-C Germany (–€17m), esp. due to higher costs; large losses slightly below previous year's level
- 9M: International (–€82m), mainly from disposal of Italian entity and in Q3: Declines in Belgium, Austria

**Increase in investment result**

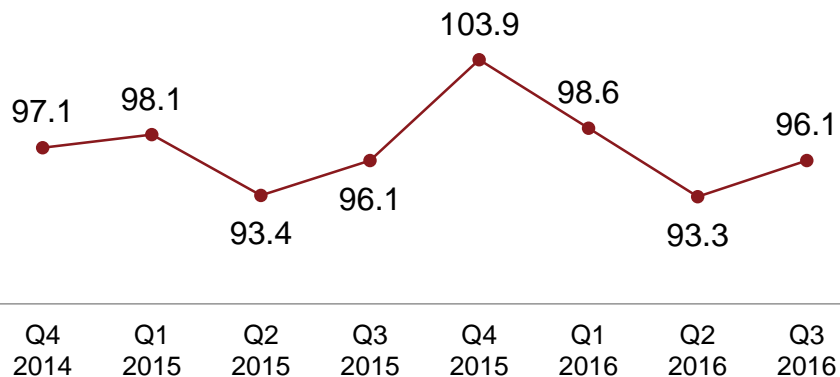
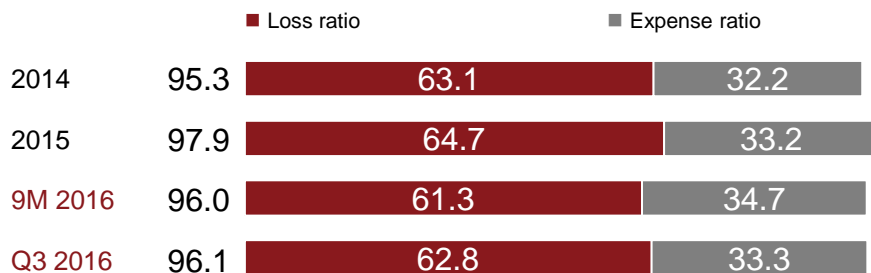
- Q3: Return on investment 2.8%
- 9M: Derivatives result significantly higher; in Q3: decline
- 9M: Release of unrealised gains for ZZR, mainly in first half of 2016

**Other**

- Q2: Restructuring expenses
- Q1: Negative one-off effect from accounting difference between IFRS and local GAAP regarding pension liabilities
- 9M: Higher tax expenses

# ERGO Property-casualty Germany

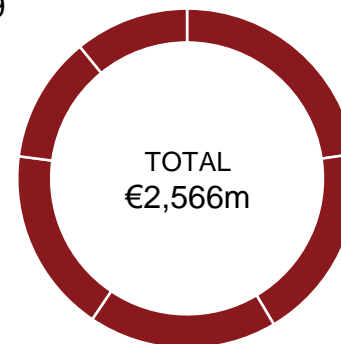
## Combined ratio %



## Gross premiums written €m

Other 279 582 Motor

Legal protection 309



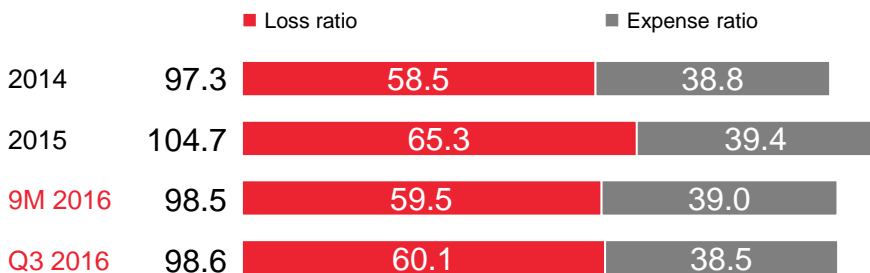
Fire/property 453

Liability 461

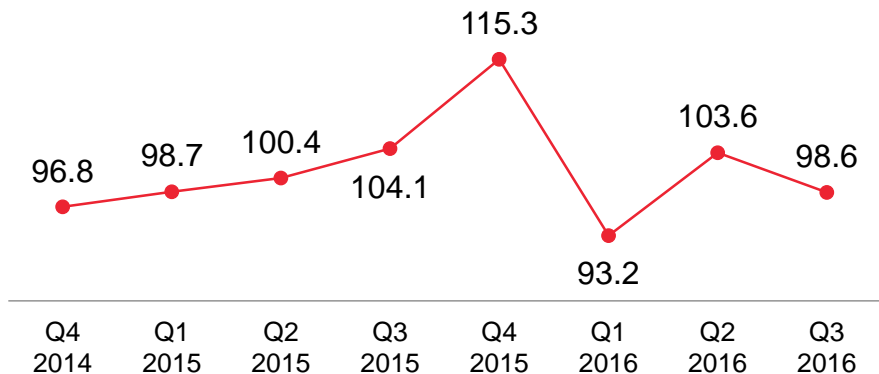
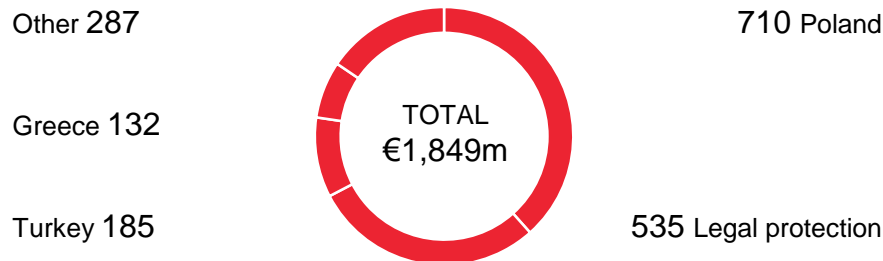
482 Personal accident

# ERGO International – Property-casualty

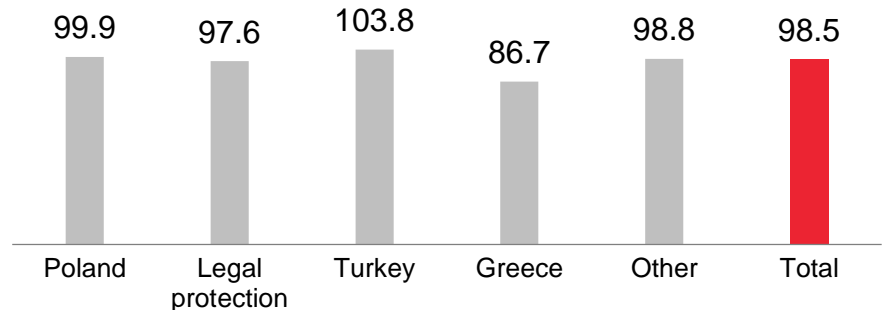
## Combined ratio %



## Gross premiums written – Property-casualty €m



## Combined ratio 9M 2016 %



Munich Health

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# Munich Health

## 9M 2016 vs. 9M 2015

Gross premiums written	€m
9M 2015	4,260
Foreign exchange	-101
Divestments/investments	0
Organic change	-458
<b>9M 2016</b>	<b>3,701</b>

- Negative FX effects mainly due to Can\$
- Organic decrease mainly driven by reduced share and restructuring of one large treaty, and in US termination of poorly performing accounts...
- ... partly offset by growth in China, Middle East and Spain

Major result drivers	€m		
	9M 2016	9M 2015	▲
Technical result	32	33	-1
Non-technical result	59	53	6
thereof investment result	81	92	-11
Other	-15	-2	-13
<b>Net result</b>	<b>76</b>	<b>84</b>	<b>-8</b>
	Q3 2016	Q2 2016	▲
Technical result	52	-16	68
Non-technical result	12	24	-12
thereof investment result	23	29	-6
Other	-19	8	-27
<b>Net result</b>	<b>44</b>	<b>16</b>	<b>28</b>

### Technical result

- 9M: Overall combined ratio at 99.3% (-0.2%)
  - Reinsurance: 100.9% (+0.1%)  
Adverse impact of US business, albeit improved result in Q3
  - Primary insurance: 92.6% (-0.1%)  
Strong contribution from Spain
- Q3: Improvement driven by US reinsurance business and seasonal effects in Spain and Belgium

### Investment result

- 9M: Stable regular income, lower disposal gains
- Q3: Return on investment 2.6%

### Other

- 9M: Tax rate 18.7% vs. 1.3%

# Reinsurance

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# Reinsurance Life

## 9M 2016 vs. 9M 2015

### Gross premiums written

	€m
9M 2015	7,653
Foreign exchange	-263
Divestments/investments	0
Organic change	-178
9M 2016	7,212

- Negative FX effects driven by Can\$ and GBP
- Negative organic change due to cancellation/modification of large capital-relief deals, ...
- ... partly offset by growth in Asia, Canada, UK

### Major result drivers

	9M 2016	9M 2015	▲
Technical result	318	247	71
Non-technical result	66	88	-21
thereof investment result	469	628	-159
Other	-16	-163	147
<b>Net result</b>	<b>369</b>	<b>172</b>	<b>197</b>

	Q3 2016	Q2 2016	▲
Technical result	146	103	43
Non-technical result	20	119	-99
thereof investment result	164	240	-76
Other	-31	-7	-24
<b>Net result</b>	<b>134</b>	<b>214</b>	<b>-80</b>

### Technical result

- Q3: Strong contribution mainly from Asia, Canada and Europe supported by one-off effects
- Well on track to achieve annual target of ~€400m

### Investment result

- 9M: Lower interest income from deposits retained on assumed reinsurance due to cancellation/modification of large capital-relief deals
- 9M: Lower disposal gains
- Q3: Return on investment 2.7%

### Other

- 9M: FX result of €84m vs. -€79m, high contribution from GBP
- 9M: Tax rate of 16.7% vs. 24.0%

# Reinsurance Property-casualty

## 9M 2016 vs. 9M 2015

### Gross premiums written

	€m
9M 2015	13,583
Foreign exchange	-330
Divestments/investments	0
Organic change	480
9M 2016	13,733

- Negative FX effects mainly driven by GBP
- Organic growth due to several new deals, particularly in motor and fire

### Major result drivers

	9M 2016	9M 2015	▲
Technical result	1,642	1,870	-228
Non-technical result	368	414	-46
thereof investment result	1,266	1,450	-184
Other	-248	-565	317
<b>Net result</b>	<b>1,761</b>	<b>1,718</b>	<b>43</b>

	Q3 2016	Q2 2016	▲
Technical result	597	289	308
Non-technical result	108	498	-390
thereof investment result	411	754	-343
Other	-147	-10	-137
<b>Net result</b>	<b>558</b>	<b>778</b>	<b>-220</b>

### Technical result

- 9M: Major loss ratio clearly below expectation of 12.0%
- Q3: Lower basic losses, as Q2 was inflated by various larger claims just below the outlier threshold

### Investment result

- 9M: Reduced disposal gains and lower regular income
- Q3: Negative impact from equity derivatives (hedging) and less dividend income
- Q3: Return on investment 2.6%

### Other

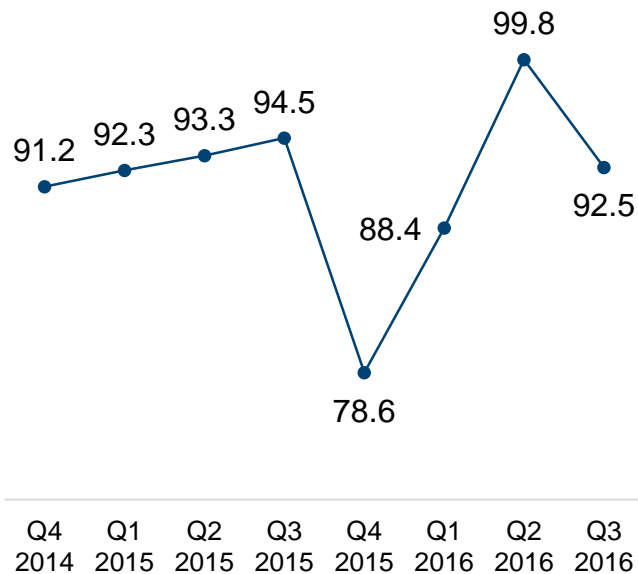
- 9M: FX result of €299m vs. -€225m, high contribution from GBP
- 9M: Tax rate 20.2% vs. 11.0%



# Combined ratio

## Combined ratio

%



		■ Basic losses	■ Major losses	■ Expense ratio
2014	92.7	53.0	7.2	32.5
2015	89.7	50.8	6.2	32.6
9M 2016	93.7	55.2	7.2	31.3
Q3 2016	92.5	55.3	6.6	30.6

	Major losses	Nat cat	Man-made	Reserve releases <sup>1</sup>	Normalised combined ratio <sup>2</sup>
9M 2016	7.2	3.7	3.5	-5.4	99.9
Q3 2016	6.6	3.4	3.1	-5.0	98.9
Ø Annual expectation	~12.0	~8.0	~4.0		

<sup>1</sup> Basic losses; in Q3 mainly fire; no corresponding sliding-scale effects.

<sup>2</sup> Based on 4%-pts. reserve releases.

Outlook

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## Munich Re (Group)

### Net result

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Significantly above **€2.3bn**  
(prev. €2.3bn)

### Return on investment

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**~3%**  
Solid return given ongoing  
low-interest-rate environment

### Gross premiums written

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**€47–49bn**  
Focus on bottom-line growth prevails

### Combined ratio

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<b>~95%</b>	<b>~98%</b>
Reinsurance	ERGO Germany
<b>~99%</b>	<b>~99%</b>
Munich Health	ERGO International

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