

Image: Getty Images/Stop

Quarterly statement as at 30 September 2017

9 November 2017

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Nat cats dominate Q3 – Capitalisation remains strong

Munich Re (Group)

Net result

–€1,436m (9M: –€146m)

Q3 loss driven by heavy nat cat claims, recapture of a life reinsurance treaty and negative FX effects

Return on investment¹

2.8% (9M: 3.2%)

Solid investment result – Slight increase of reinvestment yield to 2.0%

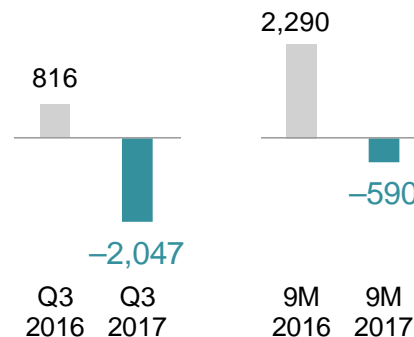
Shareholders' equity

€27.8bn (–7.9% vs. 30.6.)

Sound capitalisation –
Solvency II ratio 258%

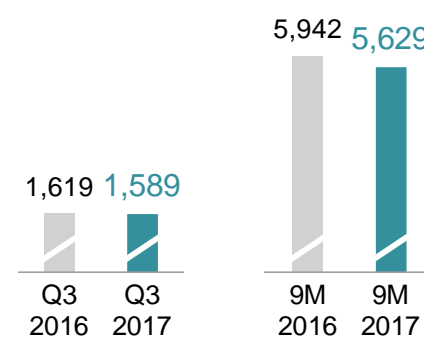
Technical result

€m



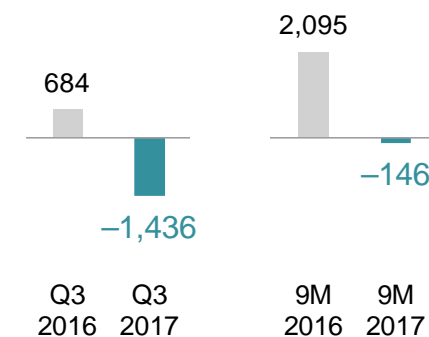
Investment result

€m



Net result

€m



Q3 2017 (9M 2017)

Reinsurance

Life and Health: Technical result incl. fee income: €37m (9M: €271m) – Q3 impacted by a recapture in the US

Property-casualty: Combined ratio: 160.9% (9M: 117.3%) – Major-loss ratio: 75.0% (9M: 30.3%)

ERGO

Life and Health Germany:
Return on investment: 2.6% (9M: 3.5%)

Property-casualty Germany:
Combined ratio: 98.1% (9M: 96.6%)

International:
Combined ratio: 91.5% (9M: 95.5%)

IFRS capital position

Equity		€m
Equity 31.12.2016	31,785	
Consolidated result	-146	-1,436
Changes		
Dividend	-1,333	0
Unrealised gains/losses	-92	-94
Exchange rates	-1,570	-501
Share buy-backs	-743	-272
Other	-131	-65
Equity 30.9.2017	27,770	-2,369

Unrealised gains/losses

Fixed-interest securities

9M: **-€120m** Q3: **-€103m**

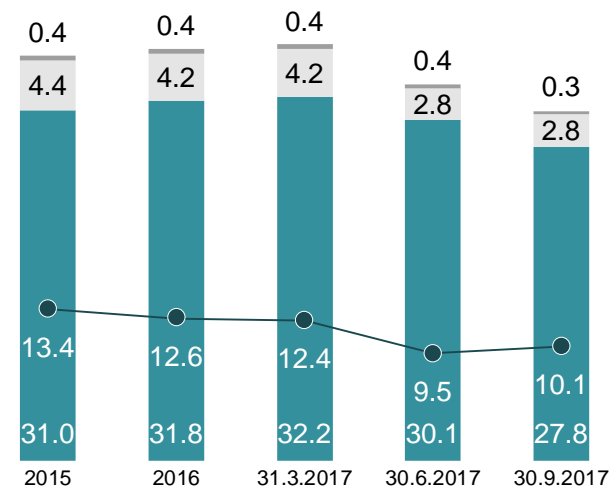
Non-fixed-interest securities

9M: **€36m** Q3: **€8m**

Exchange rates

FX effect mainly driven by US\$

Capitalisation



- Debt leverage¹ (%)
- Senior and other debt²
- Subordinated debt
- Equity

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 portfolio¹

%

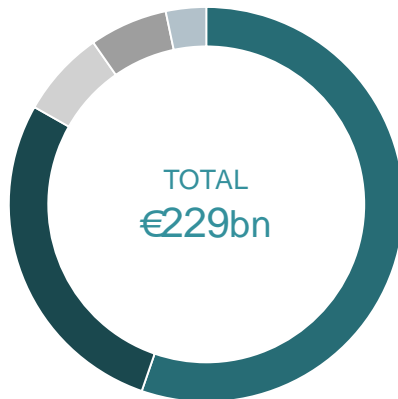
Land and buildings
3.3 (2.9)

Miscellaneous²
6.4 (6.2)

Shares, equity funds and
participating interests³
7.1 (6.1)

Loans
27.9 (28.5)

Fixed-interest securities
55.3 (56.3)



Portfolio management in Q3

- Ongoing geographic diversification
- Increase in corporate bond exposure
- Slight decrease in structured products, covered bonds and bank bonds
- Further increase in equity exposure
- Investments in infrastructure (wind park)

Investment result

Investment result (€m)	Q2 2017	Return ¹	Q3 2017	Return ¹	9M 2017	Return ¹	9M 2016	Return ¹
Regular income	1,720	3.0%	1,527	2.7%	4,881	2.8%	5,001	2.8%
Write-ups/write-downs	-49	-0.1%	-84	-0.1%	-160	-0.1%	-284	-0.2%
Disposal gains/losses	432	0.7%	259	0.5%	1,739	1.0%	1,823	1.0%
Derivatives ²	-87	-0.1%	37	0.1%	-412	-0.2%	-196	-0.1%
Other income/expenses	-127	-0.2%	-151	-0.3%	-421	-0.2%	-402	-0.2%
Investment result	1,889	3.2%	1,589	2.8%	5,629	3.2%	5,942	3.4%
Total return		0.8%		2.5%		1.0%		9.3%

3-month reinvestment yield	Q3 2017	Write-ups/ write-downs	Disposal gains/losses	Derivatives	9M 2017	Write-ups/ write-downs	Disposal gains/losses	Derivatives
Q3 2017 2.0%	Fixed income ³	-2	115	116	Fixed income ³	-4	1,028	-16
Q2 2017 1.8%	Equities	-37	142	-95	Equities	-72	702	-373
	Commodities/inflation	10		6	Commodities/inflation	39		-19
Q1 2017 2.0%	Other	-55	2	10	Other	-122	10	-3

1 Annualised return on quarterly weighted investments (market values) in %. Impact from dividends on regular income 0.2%-pts in Q3 and 0.5%-pts in Q2.

2 Result from derivatives without regular income and other income/expenses. 3 Thereof interest-rate hedging ERGO: Q3 -€6m/-€1m (gross/net); 9M -€144m/-€19m (gross/net).

ERGO

2

Gross premiums written €m

9M 2016		13,157
Foreign exchange		-19
Divestments/investments	■	-84
Organic change	■	180
9M 2017		13,234

- **Life and Health Germany¹ (+€42m):**
Growth in Health
- **Property-casualty Germany¹ (+€53m):**
Positive development in almost all lines of business, highest growth rate in fire/property and marine
- **International (-€18m):** Growth in P-C driven by Poland, overall decrease due to Life (disposal of Italian entity and declining business esp. in Poland and Austria)

Major result drivers

	9M 2017	9M 2016	
Technical result	559	345	▲ 214
Non-technical result	267	450	-182
thereof investment result	3,531	4,168	-637
Other	-602	-844	241
Net result	224	-49	273
	Q3 2017	Q3 2016	
Technical result	236	58	▲ 177
Non-technical result	61	67	-5
thereof investment result	901	1,036	-135
Other	-268	-144	-123
Net result	29	-19	49

Technical result

9M: Improvements on group level, driven by

- **L&H Germany:** One-off effects in Life did not reoccur, higher profitability in Health
- **International:** Driven by improvements mainly in P-C (Poland) and Health

Investment result

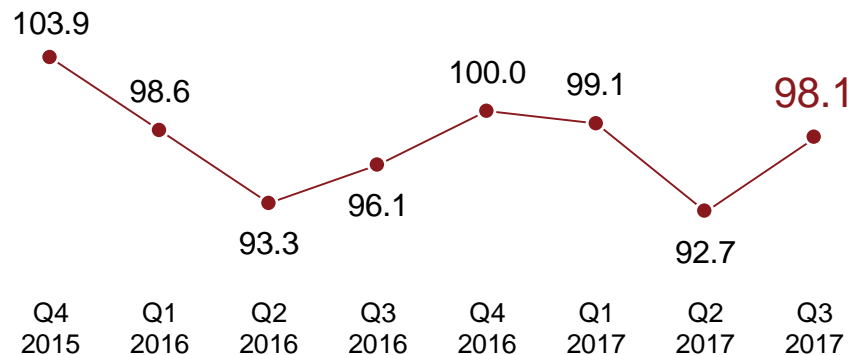
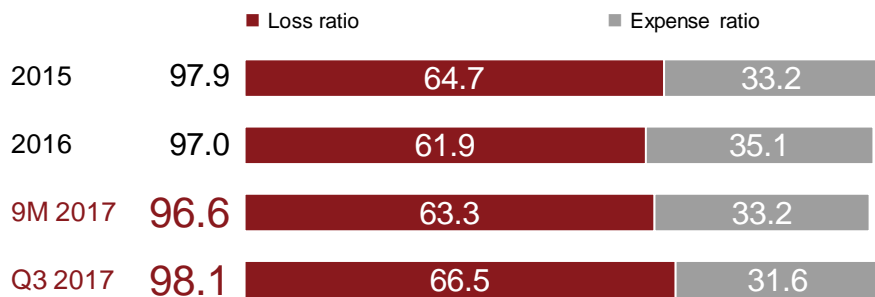
- Q3: Lower result from derivatives and decrease of regular income
- Q3: Return on investment: 2.5%

Other

- 9M: One-off effects (mainly restructuring expenses) in 2016
- Q3: Impacted by strategic investments

ERGO Property-casualty Germany

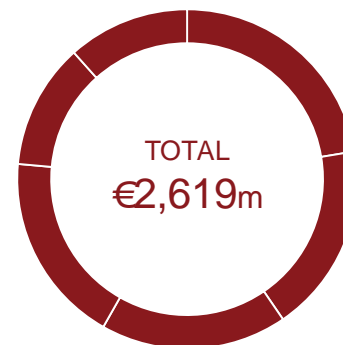
Combined ratio %



Gross premiums written €m

Category	Value (€m)
Other	304
Motor	586

Legal protection
313



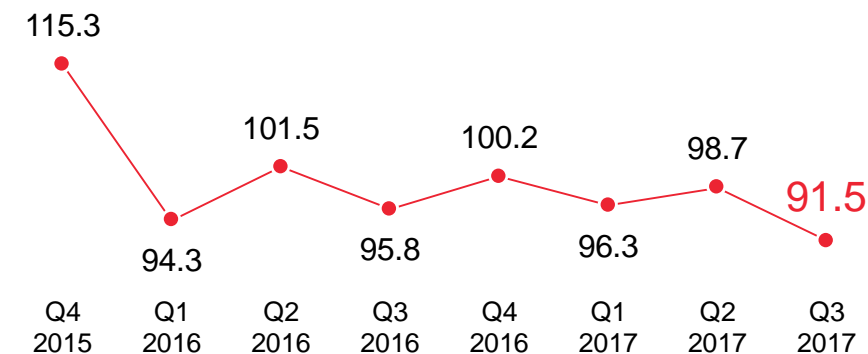
Personal accident
473

Fire/property
477

Liability
465

ERGO International – Property-casualty, including Health

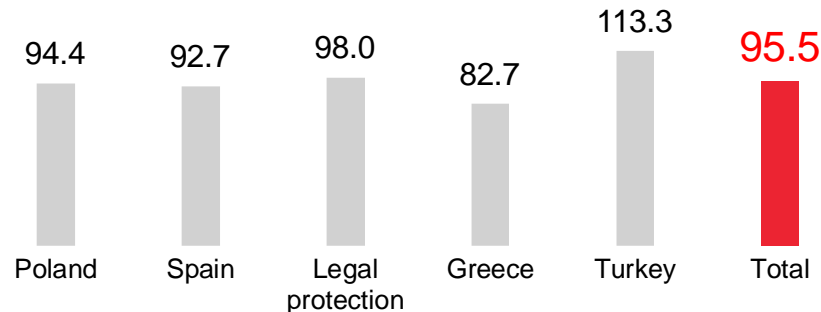
Combined ratio¹ %



Gross premiums written €m



Combined ratio 9M 2017¹ %



¹ Only short-term health business.

Reinsurance

3

Gross premiums written €m

9M 2016		9,892
Foreign exchange		7
Divestments/investments		0
Organic change		347
9M 2017		10,246

- Business growth in Australia, Asia and Middle East

Major result drivers €m

	9M 2017	9M 2016	▲
Technical result	232	304	-72
Non-technical result	238	94	143
thereof investment result	661	507	154
Other	-173	-15	-158
Net result	297	383	-86

	Q3 2017	Q3 2016	▲
Technical result	23	161	-137
Non-technical result	78	23	55
thereof investment result	208	172	36
Other	-42	-38	-4
Net result	59	146	-86

Technical result, incl. fee income of €271m

- 9M: Good underlying business development
- 9M: Technical result below expectations due to negative impact from recaptures in the US (Q3: >€100m, 9M: €170m)
- Q3: Largely offsetting effects, e.g. better claims development in North America, adverse claims experience in Australia

Investment result

- 9M: High regular income supported by deposits retained on assumed reinsurance
- 9M: Disposal gains on equities and fixed income
- Q3: Return on investment: 3.2%

Other

- 9M: FX result of -€37m vs. €88m

Reinsurance Property-casualty

Gross premiums written	€m
9M 2016	13,733
Foreign exchange	27
Divestments/investments	0
Organic change	-236
9M 2017	13,524

- Slightly positive FX effects from US\$
- Cancellation/modification of large treaties especially in agro, fire and liability

Major result drivers

	9M 2017	9M 2016	▲
Technical result	-1,381	1,642	-3,022
Non-technical result	462	368	94
thereof investment result	1,436	1,266	170
Other	252	-248	501
Net result	-667	1,761	-2,428
	Q3 2017	Q3 2016	▲
Technical result	-2,306	597	-2,903
Non-technical result	176	108	67
thereof investment result	479	411	68
Other	605	-147	752
Net result	-1,525	558	-2,083

Technical result

- Q3: High nat cat loss ratio of 70.3%, thereof impact from hurricanes Harvey, Irma and Maria, of €2.7bn/64.1%

Investment result

- 9M: Stable regular income also compared with previous year
- 9M: Less disposal gains, improved derivative result
- Q3: Return on investment: 3.1%

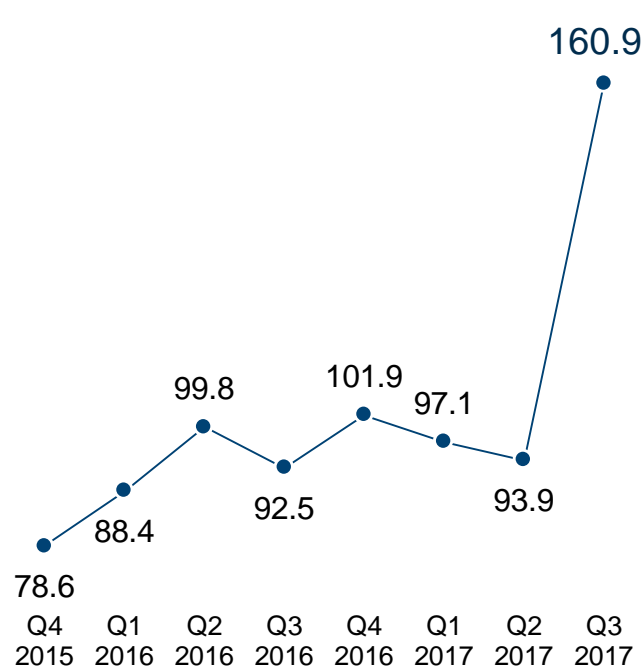
Other

- 9M: FX result of -€168m vs. €299m
- 9M: Tax income of €494m, thereof €671m in Q3

Combined ratio

Combined ratio

%



		Basic losses	Major losses	Expense ratio
2015	89.7	50.8	6.2	32.6
2016	95.7	54.2	9.1	32.4
9M 2017	117.3	54.5	30.3	32.6
Q3 2017	160.9	54.1	75.0	31.8

	Major losses	Nat cat	Man-made	Reserve releases ¹	Normalised combined ratio ²
9M 2017	30.3	25.2	5.0	-5.9	100.4
Q3 2017	75.0	70.3	4.7	-6.0	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. 9M 2017 adjusted for several larger prior-year commission effects of 0.6%-pts.

Outlook

4

GROUP

Gross premiums written
€48–50bn

Net result
Small profit
(prev. €2.0–2.4bn)

Return on investment
~3%

REINSURANCE

Gross premiums written
€31–33bn

L&H: Technical result
incl. fee income
~€400m

P-C combined ratio¹
~112%
(prev. ~97%)

ERGO

Gross premiums written
€17–17.5bn

Net result
€200–250m

P-C combined ratio
Germany **~98%** International **~97%**
(prev. ~98%)

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.

The primary insurance units of the disbanded Munich Health field of business are now recognised in the ERGO International segment, units with reinsurance business in the Reinsurance Life and Health segment. Previous year's figures were adjusted to ensure comparability.