

Image: Getty Images/Oaltindag

# Quarterly statement as at 31 March 2018

8 May 2018

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# Strong start to the year – Well on track to achieve annual targets

## Munich Re (Group)

### Net result

€827m (€557m)

Good operating performance, in particular exceptionally low major losses in p-c reinsurance

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

3.1% (3.6%)

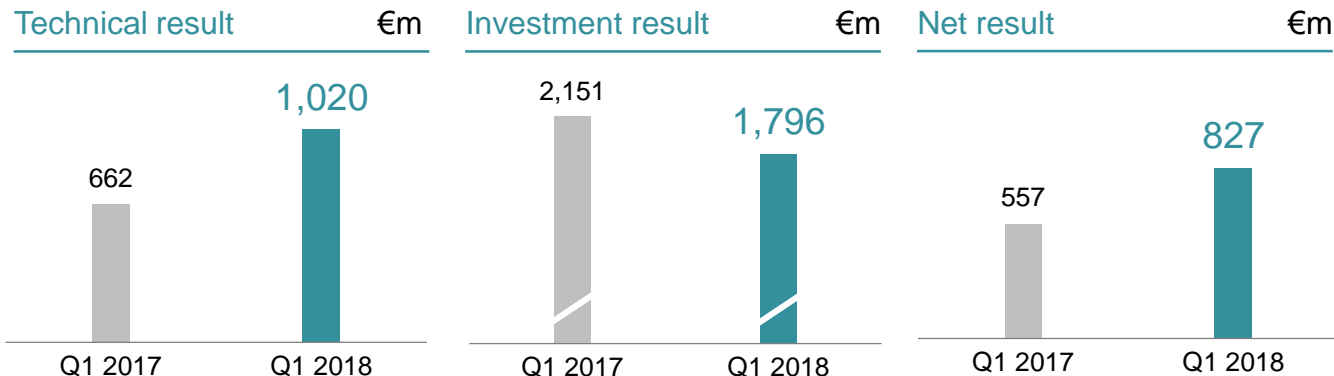
Resilient result given volatile capital markets

### Shareholders' equity

€27.2bn (–3.6% vs. 31.12.)

Sound capitalisation –  
Solvency II ratio at 245%

Q1 2018 (Q1 2017)



### Reinsurance

**Life and Health:** Technical result incl. fee income: €155m (€158m) – On course to achieve annual target of ≥€475m

**Property-casualty:** Combined ratio: 88.6% (97.1%) –  
Major-loss ratio: 1.4% (9.6%)

**April renewals:**  
Price change: +0.8%, premium change: +8.1%

### ERGO

**Life and Health Germany:**  
Return on investment: 3.5% (4.4%)

**Property-casualty:**  
Combined ratio: 101.7% (99.1%)

**International:**  
Combined ratio: 95.3% (96.3%)

# IFRS capital position

## Equity

	€m
Equity 31.12.2017	28,198
Consolidated result	827
Changes	
Dividend	0
Unrealised gains/losses	-1,171
Exchange rates	-313
Share buy-backs	-311
Other	-39
Equity 31.3.2018	27,191

## Unrealised gains/losses

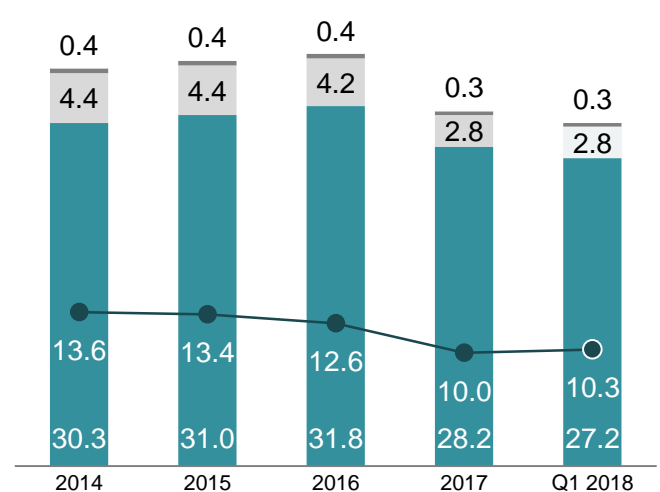
Fixed-interest securities  
-€558m

Non-fixed-interest securities  
-€612m

## Exchange rates

FX effect mainly driven by US\$

## Capitalisation



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

Land and buildings  
3.6 (3.4)

Miscellaneous<sup>2</sup>  
6.8 (6.2)

Shares, equity funds and participating interests<sup>3</sup>  
7.1 (7.3)

Loans  
28.3 (28.2)



%

Fixed-interest securities  
54.2 (54.9)

## Portfolio management in Q1

- Reduction of US inflation-linked bonds
- Slight increase of corporate bonds and credit exposure
- Further expansion of infrastructure debt
- New real-estate investments
- Reduction of asset duration in reinsurance

# Investment result

Investment result (€m)	Q1 2018	Return <sup>1</sup>	Q1 2017	Return <sup>1</sup>
Regular income	1,493	2.6%	1,634	2.7%
Write-ups/write-downs	-115	-0.2%	-26	-0.0%
Disposal gains/losses	584	1.0%	1,048	1.8%
Derivatives <sup>2</sup>	-17	-0.0%	-362	-0.6%
Other income/expenses	-149	-0.3%	-143	-0.2%
<b>Investment result</b>	<b>1,796</b>	<b>3.1%</b>	<b>2,151</b>	<b>3.6%</b>
<b>Total return</b>		<b>-1.3%</b>		<b>-0.3%</b>

3-month reinvestment yield	Q1 2018	Write-ups/write-downs	Disposal gains/losses	Derivatives	Q1 2017	Write-ups/write-downs	Disposal gains/losses	Derivatives
Q1 2018 1.9%	Fixed income <sup>3</sup>	-1	326	-124	Fixed income <sup>3</sup>	1	727	-119
Q4 2017 1.9%	Equities	-79	209	109	Equities	-16	312	-218
	Commodities/Inflation	9		6	Commodities/Inflation	31		-19
Q3 2017 2.0%	Other	-44	50	-8	Other	-42	9	-6

1 Annualised return on quarterly weighted investments (market values) in %. 2 Result from derivatives without regular income and other income/expenses.  
3 Thereof interest-rate hedging ERGO: Q1 2018: €2m/-€1m (gross/net); Q1 2017: -€130m/-€14m (gross/net).

ERGO

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**Gross premiums written** €m

Q1 2017		4,879
Foreign exchange		-6
Divestments/investments		0
Organic change	■	70
<b>Q1 2018</b>		<b>4,943</b>

- **Life and Health Germany<sup>1</sup> (-€3m):** Growth in Health and Direct almost completely compensates for decline in Life
- **Property-casualty Germany<sup>1</sup> (+€26m):** Positive development in almost all lines of business, highest growth in motor and other insurance
- **International (+€41m):** Growth in P-C driven by Poland and legal protection, declines in Life (esp. Austria) and Health

**Major result drivers** €m

		Q1 2018	Q1 2017	▲
Technical result		132	130	1
Non-technical result		93	139	-46
thereof investment result		1,184	1,459	-275
Other		-147	-178	31
<b>Net result</b>		<b>77</b>	91	-14

**Technical result**

Overall on previous year's level, improvements esp. in Poland and Health Germany

- **L&H Germany (+€21m)**, amongst others due to less expenses for claims and benefits in Health
- **International (+€2m)**, mainly attributable to tariff increase and higher contract numbers in Polish motor business
- **P-C Germany (-€22m)**, significantly affected by nat cat "Friederike"

**Increase in investment result**

- Less disposal gains
- Increase in derivative result, esp. from equity and interest-rate derivatives
- Return on investment 3.3%

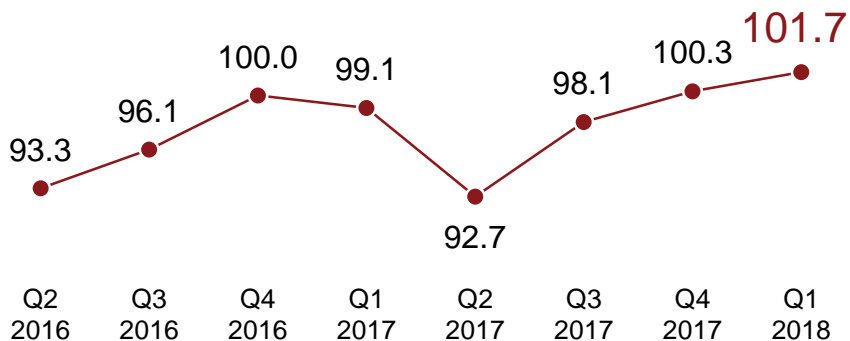
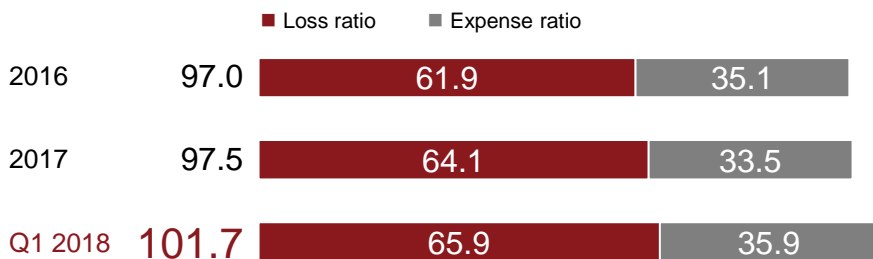
**Other**

- Positive FX and tax effects



# ERGO Property-casualty Germany

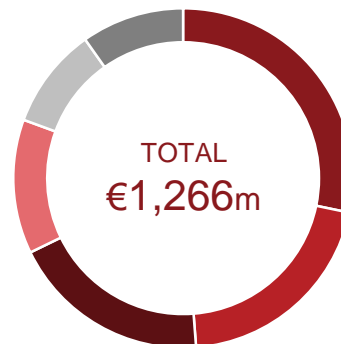
## Combined ratio %



## Gross premiums written €m

Other 124 (115)      Motor 358 (345)

Legal protection 122 (119)

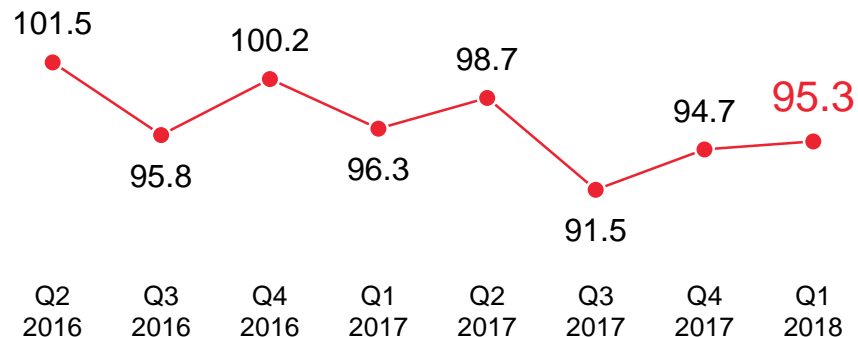
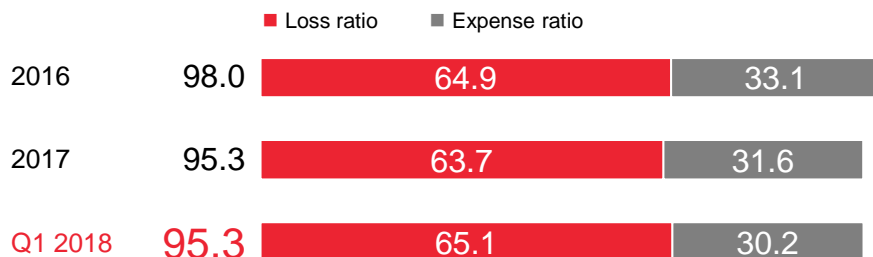


Personal accident 162 (164)

Fire/property 241 (239)

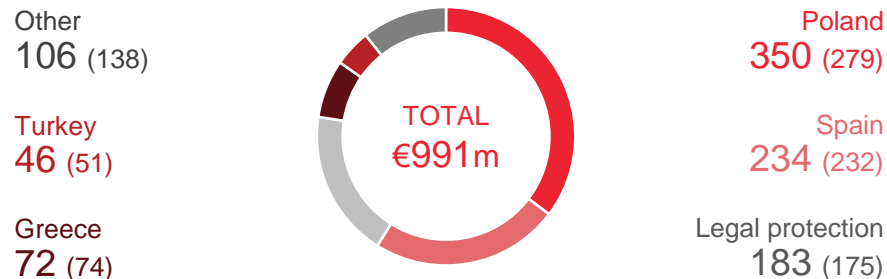
# ERGO International – Property-casualty<sup>1</sup>

## Combined ratio<sup>1</sup> %

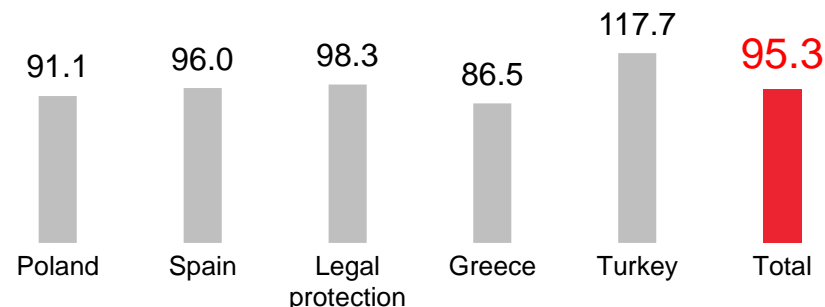


<sup>1</sup> Including only short-term health business since 2016.

## Gross premiums written €m



## Combined ratio Q1 2018<sup>1</sup> %



# Reinsurance

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# Reinsurance Life and Health

## Q1 2018 vs. Q1 2017

### Gross premiums written

	€m
Q1 2017	3,488
Foreign exchange	-279
Divestments/investments	0
Organic change	-344
<b>Q1 2018</b>	<b>2,865</b>

- Negative FX effects driven by US\$ and Can\$
- Termination of a large capital-relief transaction

### Major result drivers

	Q1 2018	Q1 2017	Δ
Technical result	140	145	-5
Non-technical result	82	48	34
thereof investment result	207	221	-14
Other	-62	-66	4
<b>Net result</b>	<b>159</b>	<b>126</b>	<b>33</b>

#### Technical result, incl. fee income of €155m

- Positive claims experience especially in North America and UK, ...
- ... partly offset by negative experience in Australia
- Positive impact from a recapture in Europe
- On course to achieve annual target of  $\geq$ €475m

#### Investment result

- Lower regular income mainly due to reduced amount of deposits retained on assumed reinsurance
- Disposal gains on fixed income and equities
- Return on investment: 3.2%

#### Other

- FX impact of -€6m (-€6m)
- Tax rate at 22.4% (28.4%)

# Reinsurance Property-casualty

## Q1 2018 vs. Q1 2017

Gross premiums written	€m
Q1 2017	4,558
Foreign exchange	-521
Divestments/investments	0
Organic change	1,280
<b>Q1 2018</b>	<b>5,317</b>

- Negative FX effects mainly driven by US\$
- Strong organic growth across all main lines of business driven by new large treaties in Australia and US

Major result drivers	Q1 2018	Q1 2017	€m
Technical result	749	387	361
Non-technical result	89	104	-15
thereof investment result	404	470	-66
Other	-247	-151	-96
<b>Net result</b>	<b>591</b>	<b>340</b>	<b>250</b>

### Technical result

- Low burden of nat cat losses, including run-off profits from prior years
- Elevated expenses due to sliding-scale effects corresponding to reserve releases and commissions for new large treaties

### Investment result

- Lower income from associated companies than previous year
- Losses on interest-rate derivatives
- Disposal gains mainly on equities
- Return on investment: 2.7%

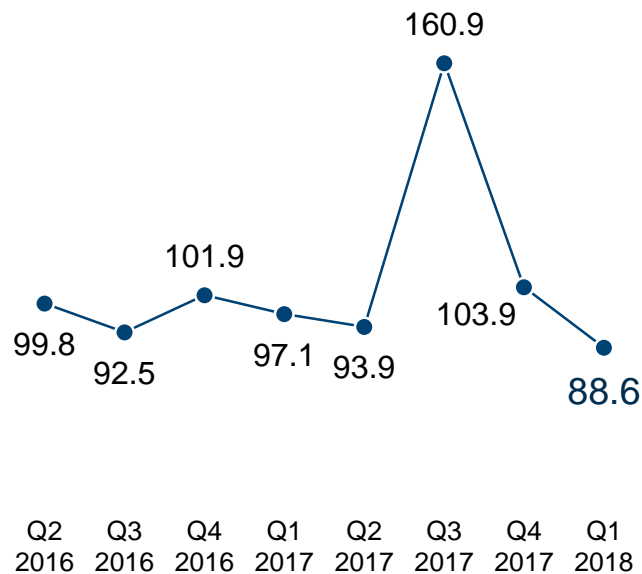
### Other

- FX impact of -€28m (-€2m)
- Tax rate of 24.2% (26.5%)

# Combined ratio

## Combined ratio

%



		Basic losses	Major losses	Expense ratio
2016	95.7	54.2	9.1	32.4
2017	114.1	54.8	25.8	33.5
Q1 2018	88.6	53.2	1.4	34.0

	Major losses	Nat cat	Man-made	Reserve releases <sup>1</sup>	Normalised combined ratio <sup>2</sup>
Q1 2018	1.4	-1.1	2.6	-4.1	99.3
Ø Annual expectation	~12.0	~8.0	~4.0	~-4.0	

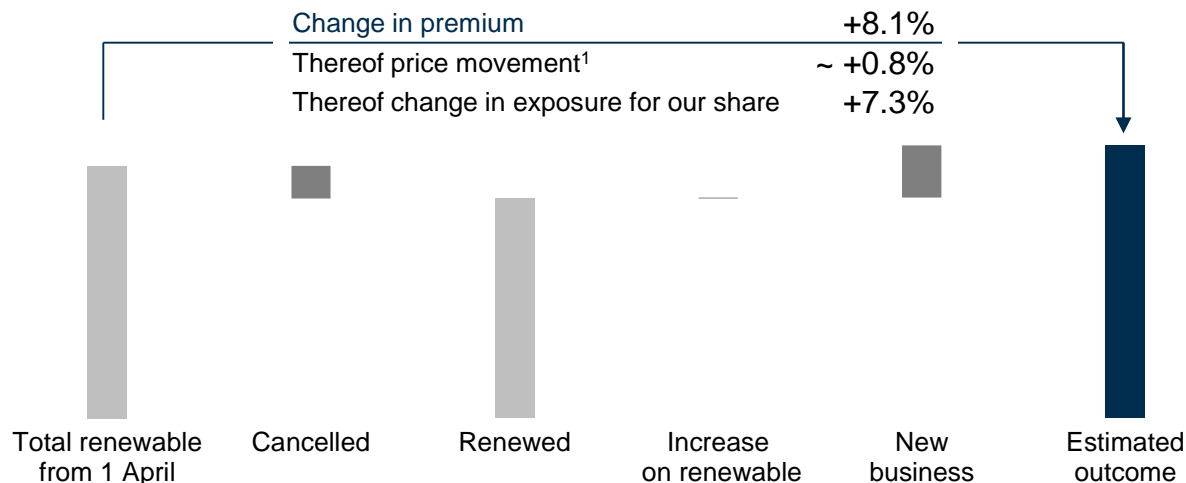
<sup>1</sup> Basic losses prior years, already adjusted for directly corresponding sliding-scale and profit-commission effects.

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

# Trend from January renewals continued – rate increases in loss-affected business, remaining portfolio rather flat

## April renewals 2018

%	100	-12.9	87.1	0.4	20.7	108.1
€m	1,440	-186	1,254	6	298	1,557



- Price increase of 0.8% (~1.8% including interest-rate effects) in line with January renewals
- Substantial rate increases for loss-affected nat cat XL business (US, Caribbean) – making up only a small share of the total renewable portfolio
- Other programmes (e.g. Japan) rather flat
- Top-line growth due to selected expansions in proportional casualty and property

Overall portfolio profitability further improved

<sup>1</sup> Price movement is risk-adjusted, i.e. includes claims inflation/loss trend and is adjusted for portfolio mix effects. Furthermore, price movement is calculated on a wing-to-wing basis (including cancelled and new business).

Outlook

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## GROUP

Gross premiums written  
**€46–49bn**

Net result  
**€2.1–2.5bn**

Return  
on investment  
**~3%**

## REINSURANCE

Gross premiums written  
**€29–31bn**

Net result  
**€1.8–2.2bn**

P-C  
combined ratio<sup>1</sup>  
**~97%**  
(prev. ~99%)

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

## ERGO

Gross premiums written  
**€17–18bn**

Net result  
**€250–300m**

P-C combined ratio  
Germany      International  
**~96%**      **~97%**

<sup>1</sup> Expectation of reserve releases in 2018 of at least 4%-pts.

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.