

Image: Getty Images/Stop

Quarterly statement as at 31 March 2017

9 May 2017

Jörg Schneider

1 Munich Re (Group)	2	3 Reinsurance	12
2 ERGO	8	4 Outlook	17

Q1 result in line with expectations – Well on track to achieve annual targets

Munich Re (Group)

Net result

€557m (€436m)

Good underwriting performance,
strong investment result

Return on investment¹

3.6% (2.7%)

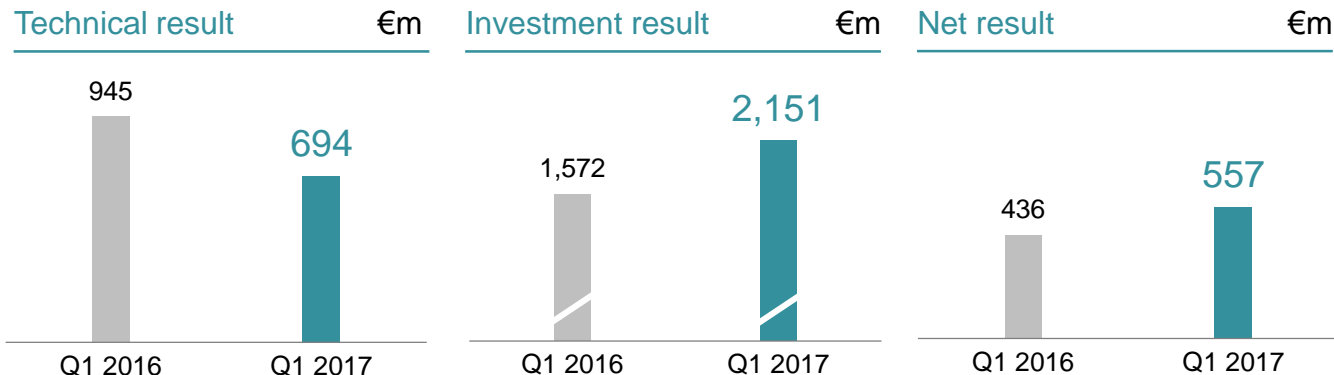
Stable running yield, disposal gains
due to financing of ZZR at ERGO L/H
Germany exceed derivative losses

Shareholders' equity

€32.1bn (+1.2% vs. 31.12.)

Sound capitalisation –
Solvency II ratio at 243%²

Q1 2017 (Q1 2016)



Reinsurance

Life and Health: Technical result incl. fee income: €158m (€74m) – On course to achieve annual target of €450m

Property-casualty: Combined ratio: 97.1% (88.4%) –
Major-loss ratio: 9.6% (2.4%)

April renewals:
Price change: –0.5%, exposure change: –8.7%

ERGO

Life and Health Germany:
Return on investment: 4.5%

Property-casualty:
Combined ratio: 99.1% (98.6%)

International:
Combined ratio: 96.3% (94.3%)

IFRS capital position

Equity

	€m
Equity 31.12.2016	31,785
Consolidated result	557
Changes	
Dividend	–
Unrealised gains/losses	221
Exchange rates	–101
Share buy-backs	–326
Other	23
Equity 31.3.2017	32,160

Unrealised gains/losses

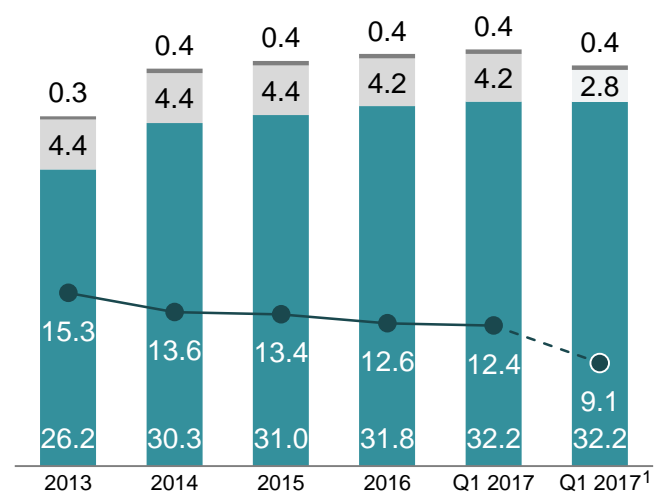
Fixed-interest securities
–€49m

Non-fixed-interest securities
€277m

Exchange rates

FX effect mainly driven by US\$

Capitalisation



- Debt leverage² (%)
- Senior and other debt³
- Subordinated debt
- Equity

Investment portfolio

Investment portfolio¹

%

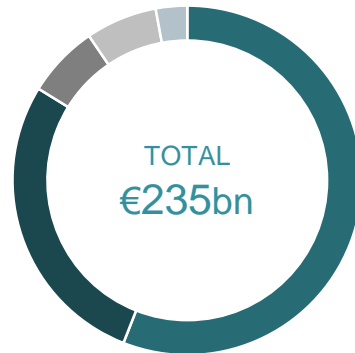
Land and buildings
2.9 (2.9)

Fixed-interest securities
55.9 (56.3)

Shares, equity funds and
participating interests²
6.6 (6.1)

Miscellaneous³
6.7 (6.2)

Loans
27.8 (28.5)



Portfolio management in Q1

- Ongoing geographic diversification
- Slight decrease in corporate bonds
- Slight increase in net equity exposure to 5.3%

Investment result

Investment result (€m)	Q1 2017	Return ¹	Q1 2016	Return ¹
Regular income	1,634	2.8%	1,628	2.8%
Write-ups/write-downs	-26	-0.0%	-219	-0.4%
Disposal gains/losses	1,048	1.8%	218	0.4%
Derivatives ²	-362	-0.6%	74	0.1%
Other income/expenses	-143	-0.2%	-128	-0.2%
Investment result	2,151	3.6%	1,572	2.7%
Total return		-0.3%		13.2%

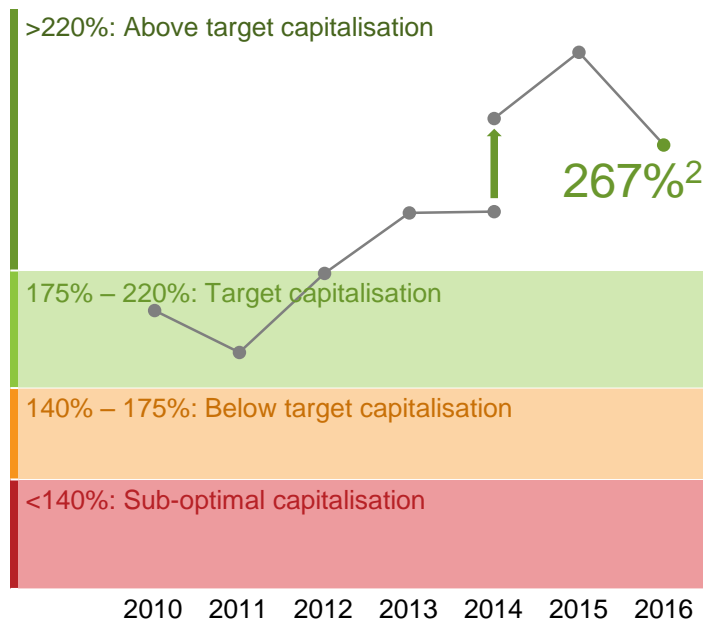
3-month reinvestment yield	Q1 2017	Write-ups/write-downs	Disposal gains/losses	Derivatives	Q1 2016	Write-ups/write-downs	Disposal gains/losses	Derivatives
Q1 2017 2.0%	Fixed income ³	1	727	-119	Fixed income ³	-87	220	228
Q4 2016 1.8%	Equities	-16	312	-218	Equities	-150	-3	-136
Q3 2016 1.8%	Commodities/Inflation	31		-19	Commodities/Inflation	52		-10
Q2 2016 1.6%	Other	-42	9	-6	Other	-34	1	-9

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 2017: -€130m/-€14m (gross/net); Q1 2016: €267m/€34m (gross/net).

Solvency-II ratio as at 31.12.2016 well above target capitalisation

SII ratio continuously in a very comfortable range¹



SII ratio of Munich Re (Group) and solo Entities³

	%	S-II Ratio (without LTG)	S-II Ratio (incl. LTG)
Internal Model	Munich Re (Group)	267	316
	Munich Re AG	266 ⁴	317
	Munich Re of Malta	508	—
	Great Lakes	238	—
	ERGO Vers. AG	385	—
	DKV	360	—
Standard Formula	ERGO Leben	100	328
	Victoria Leben	259	683
	ERGO Direkt ⁵	210	—
	ERGO Austria	154	—
	ERGO Belgium Life	127	—
	ERGO Poland P-C	131	—

- Sufficient capitalisation at subsidiary level
- With rising interest rates at year-end ERGO German life units meet Solvency Capital Requirement without transitionals – SII ratios are substantially higher including transitional measures (LTG)

All figures do not include effects of transitionals or long-term-guarantee (LTG) measures, e.g. volatility adjustment. ² Ratio as at 31.3.2017: 243% (after dividend of –€1.3bn for 2016 paid in April 2017, share buy-back 2017/18 and call of subordinated bond to be redeemed in June 2017). From 31.12.2017 foreseeable dividend will be deducted in the year-end SII ratio, SII ratio 31.12.2016 considering transitionals for ERGO Leben and Victoria Leben: 316%. ³ Entities with internal model and selected companies with standard formula application. ⁴ Pro-forma, deducting impact of LTG measures from ERGO Leben and Victoria Leben. ⁵ SCR-weighted average of ERGO Direkt companies. ERGO Direkt Versicherungs AG applies an internal model, the life and health companies the standard formula.

ERGO





2

ERGO

Q1 2017 vs. Q1 2016

Gross premiums written		€m
Q1 2016		4,887
Foreign exchange		-9
Divestments/investments		-31
Organic change		33
Q1 2017		4,879

- Life and Health Germany (-€9m), Property-casualty Germany (+€20m), International (-€19m)
- **Life Germany**: Especially lower regular premiums due to ordinary attrition
- **Property-casualty Germany**: Increase driven by new business in fire/property as well as liability
- **International**: Disposal of ERGO Italia, declining Life business (esp. Poland and Austria), growth in P-C driven by Poland

Major result drivers				€m
		Q1 2017	Q1 2016	▲
Technical result		162	126	36
Non-technical result		107	81	26
thereof investment result		1,459	1,391	68
Other		-178	-219	41
Net result		91	-12	103

Technical result

- Improvement across all segments
- **Life and Health Germany** (+€19m), slight improvements in Life and Health overcompensated for decrease in Direct business
- **International** (+€16m), mainly from disposal of Italian entity and tariff adjustments in P-C Poland
- **Property-casualty Germany** (+€1m)

Increase in investment result

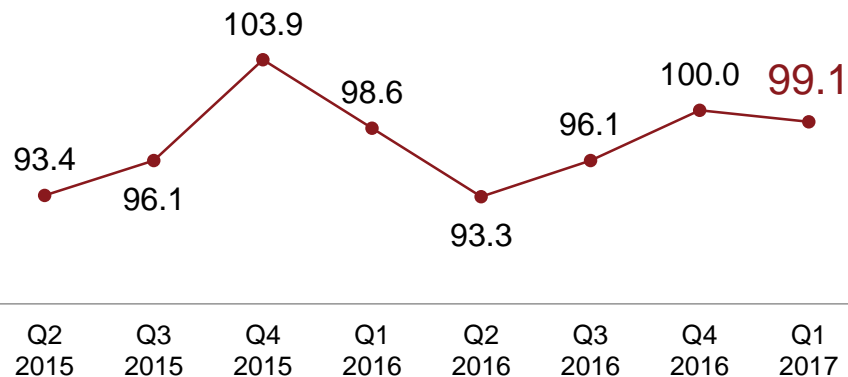
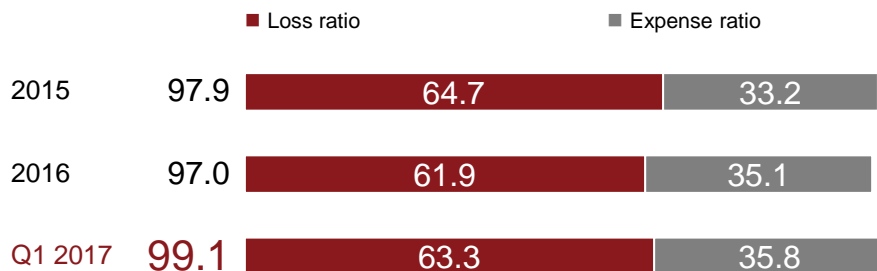
- Return on investment 4.1%
- Significantly higher net gains on disposal of fixed-income investments to finance bulk of ZZR for 2017

Other

- Improvement despite effects from investments in ERGO Strategy Programme

ERGO Property-casualty Germany

Combined ratio %



Gross premiums written €m

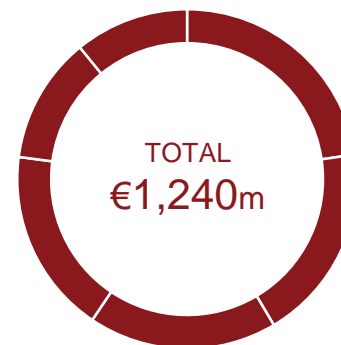
Other 115 Motor 345

Legal protection 119

Fire/property 239

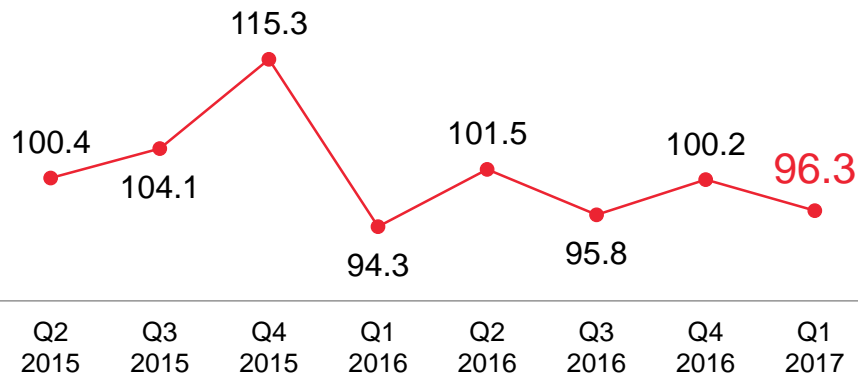
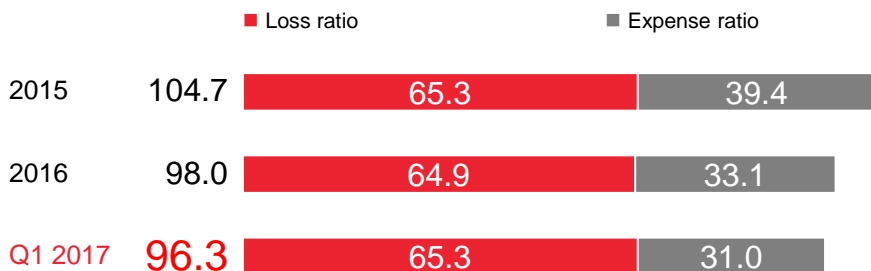
Liability 258

Personal accident 164



ERGO International – Property-casualty, including Health

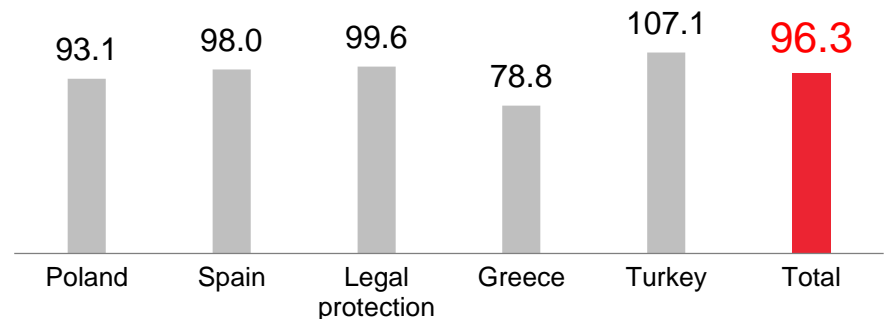
Combined ratio %



Gross premiums written €m



Combined ratio Q1 2017¹ %







¹ Only short-term health business.

Reinsurance





3

Reinsurance Life and Health

Q1 2017 vs. Q1 2016

Gross premiums written		€m
Q1 2016		3,096
Foreign exchange		151
Divestments/investments		0
Organic change		241
Q1 2017		3,488

- Positive FX effects driven by Can\$ and US\$
- Business growth in Australia, Asia and Canada as well as from large capital-relief transactions

Major result drivers		€m		
		Q1 2017	Q1 2016	▲
Technical result		145	63	81
Non-technical result		48	-61	109
thereof investment result		221	80	141
Other		-66	21	-88
Net result		126	24	102

Technical result incl. fee income of €158m

- Strong contribution from North America, Europe and Asia
- In aggregate, favourable claims experience
- Previous year impacted by two large single claims in Q1
- On course to achieve annual target of ~€450m

Investment result

- High regular income supported by deposits retained on assumed reinsurance
- Disposal gains on equities
- Return on investment: 3.3%

Other

- Higher tax expenses

Reinsurance Property-casualty

Q1 2017 vs. Q1 2016

Gross premiums written	€m
Q1 2016	4,528
Foreign exchange	68
Divestments/investments	0
Organic change	-37
Q1 2017	4,558

- Positive FX effects mainly driven by US\$
- Reduced business in agro and fire partly off-set by new transactions, particularly in motor and other property

Major result drivers	Q1 2017	Q1 2016	€m
Technical result	387	755	-368
Non-technical result	104	-238	342
thereof investment result	470	101	369
Other	-151	-92	-59
Net result	340	425	-85

Technical result

- Major loss ratio of 9.6% below expectation of 12.0%, but significantly higher than in previous year
- Higher basic losses mainly due to various larger claims just below the outlier threshold in US nat cat business

Investment result

- Regular income benefits from higher contribution of associated companies
- Disposal gains on equities
- Previous year impacted by impairments on equities and losses on derivatives
- Return on investment: 2.9%

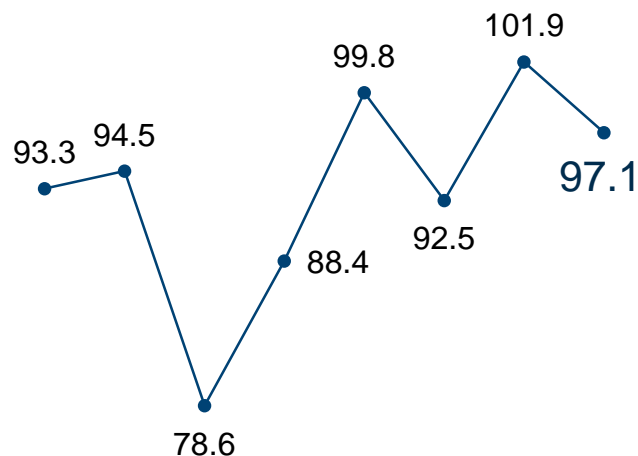
Other

- Normal tax rate, tax income in previous year

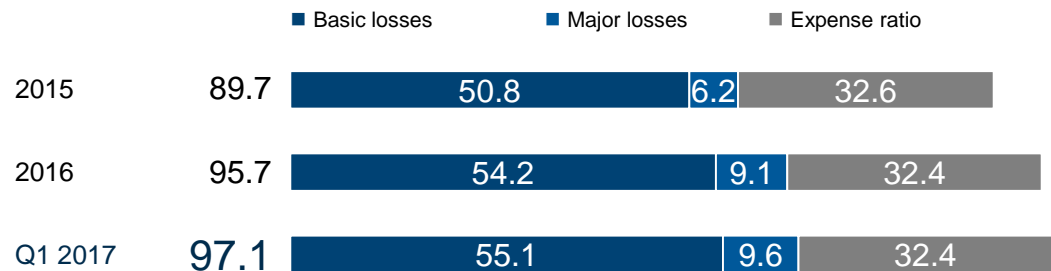
Combined ratio

Combined ratio

%



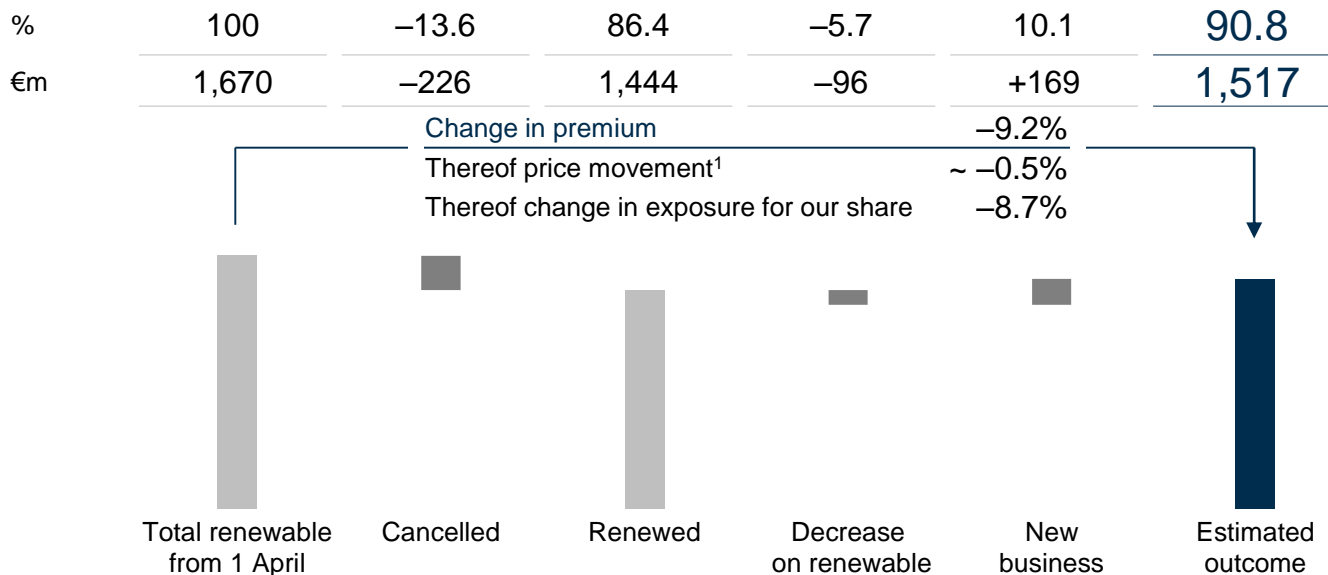
Q2 2015 Q3 2015 Q4 2015 Q1 2016 Q2 2016 Q3 2016 Q4 2016 Q1 2017



	Major losses	Nat cat	Man-made	Reserve releases ¹	Normalised combined ratio ²
Q1 2017	9.6	3.7	5.9	-6.0	101.3
Ø Annual expectation	~12.0	~8.0	~4.0		

Cycle-management measures lower top line – Slowing of price declines confirmed once again

April renewals 2017



- Active portfolio management measures only partly compensated for by new business opportunities
- Scheduled expiry of a large quota-share treaty
- Price change (-0.5%) again less pronounced than one year ago (-1.5%)
- Continued, but decelerating pressure on nat cat business
- Stabilising impact from proportional book

Overall portfolio profitability remains clearly above cost of capital

¹ 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

4

Group

Gross premiums written

€48–50bn

Net result

€2.0–2.4bn

Return on investment

~3%

Reinsurance

Gross premiums written

€31–33bn

Net result

€1.8–2.2bn

Combined ratio¹

~97%

ERGO

Gross premiums written

€17–17.5bn

Net result

€150–200m

Combined ratio

~99% ~98%
Germany International

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.