

Image: Getty Images/Stop

# Half-year financial report as at 30 June 2017

9 August 2017

---

<b>1</b> Introduction Joachim Wenning	2	<b>3</b> ERGO Markus Rieß	9
<b>2</b> Munich Re (Group) Jörg Schneider	5	<b>4</b> Reinsurance Torsten Jeworrek	13
		<b>5</b> Outlook Joachim Wenning	18

# Executing a business-oriented strategy

## STRATEGIC FOCUS

Improve & grow the Group portfolio  
Business first

Invest & divest according to  
strategic fit and performance

Digital transformation  
Build new businesses

## RESULT FOCUS

Strict bottom line focus  
ERGO Strategy Programme  
Create new business opportunities  
Leverage underwriting and innovation  
Strong asset management

## DIGITAL FOCUS

Invest in technology, data, and agile IT  
Partner with start-ups & InsurTechs  
Create new market access and  
new business models  
Co-create new businesses with clients

## LEADERSHIP FOCUS

Rigorous execution  
Powerful leadership  
Reduce complexity and drive business  
Push to win

## BASIS

Reliable results  
Attractive returns to shareholders  
Transparency

Client and business focus  
Leading functional competencies  
Strong capital position

Leading brand  
Attractive place to work  
Driving change

# Well on track to meet annual guidance

## Munich Re (Group)

### Net result

€733m (H1: €1,290m)

Benign major losses and low tax burden overcompensate for negative currency contribution

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

3.2% (H1: 3.5%)

Solid investment result – Regular income supported by dividend seasonality

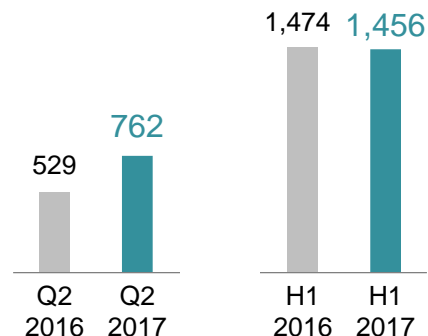
### Shareholders' equity

€30.1bn (–6.3% vs. 31.3.)

Sound capitalisation – Solvency II ratio up to 261%

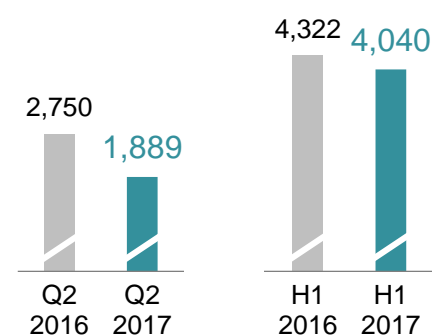
### Technical result

€m



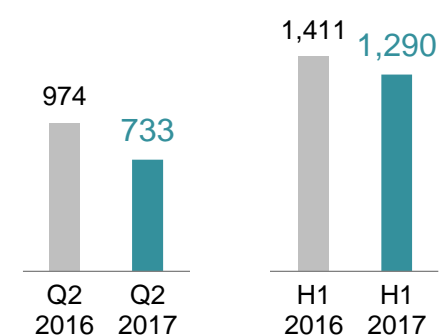
### Investment result

€m



### Net result

€m



Q2 2017 (H1 2017)

### Reinsurance

**Life and Health:** Technical result incl. fee income: €77m (H1: €234m) – reduced annual guidance to ~€400m

**Property-casualty:** Combined ratio: 93.9% (H1: 95.5%) – Major-loss ratio: 6.0% (H1: 7.8%)

**July renewals:**  
Price change: –0.4%, exposure change: +16.6%

### ERGO

**Life and Health Germany:**  
Return on investment: 3.4% (H1: 3.9%)

**Property-casualty Germany:**  
Combined ratio: 92.7% (H1: 95.8%)

**International:**  
Combined ratio: 98.7% (H1: 97.5%)

Munich Re (Group)

2

# IFRS capital position

## Equity

		€m		€m
Equity 31.12.2016	31,785		Change Q2	
Consolidated result	1,290			733
Changes				
Dividend	-1,333			-1,333
Unrealised gains/losses	3			-219
Exchange rates	-1,069			-967
Share buy-backs	-471			-145
Other	-66			-89
Equity 30.6.2017	30,139			-2,021

## Unrealised gains/losses

Fixed-interest securities

H1: -€17m Q2: €32m

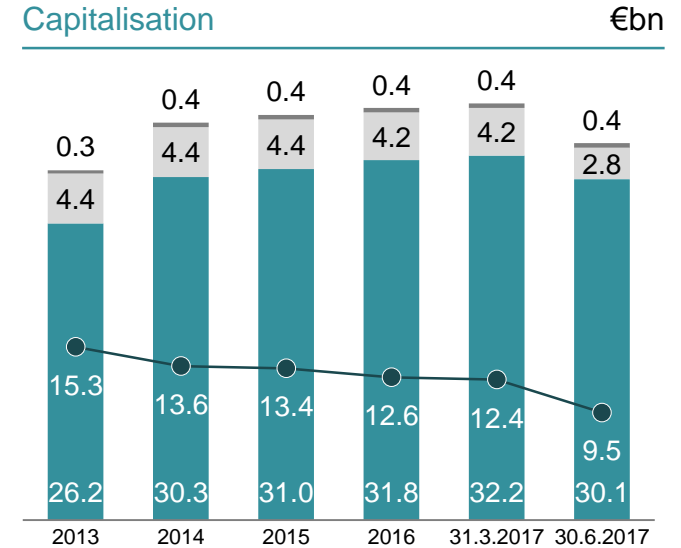
Non-fixed-interest securities





H1: €28m Q2: -€249m

## 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>

%

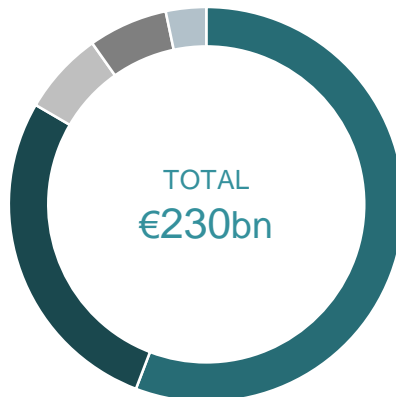
Land and buildings  
3.3 (2.9)

Miscellaneous<sup>2</sup>  
6.5 (6.2)

Shares, equity funds and  
participating interests<sup>3</sup>  
6.8 (6.1)

Loans  
27.6 (28.5)

Fixed-interest securities  
55.8 (56.3)



## Portfolio management in Q2

- Reduction of short-term fixed-income investments to finance capital repatriation and redemption of subordinated bond
- Reduction of covered bonds to finance ZZR in German primary life
- Further increase of equity exposure by lowering hedging position
- Investments in infrastructure (parking)

# Investment result

Investment result (€m)	Q1 2017	Return <sup>1</sup>	Q2 2017	Return <sup>1</sup>	H1 2017	Return <sup>1</sup>	H1 2016	Return <sup>1</sup>
Regular income	1,634	2.8%	1,720	3.0%	3,354	2.9%	3,451	3.0%
Write-ups/write-downs	-26	-0.0%	-49	-0.1%	-76	-0.1%	-242	-0.2%
Disposal gains/losses	1,048	1.8%	432	0.7%	1,480	1.3%	1,128	1.0%
Derivatives <sup>2</sup>	-362	-0.6%	-87	-0.1%	-449	-0.4%	251	0.2%
Other income/expenses	-143	-0.2%	-127	-0.2%	-270	-0.2%	-266	-0.2%
<b>Investment result</b>	<b>2,151</b>	<b>3.6%</b>	<b>1,889</b>	<b>3.2%</b>	<b>4,040</b>	<b>3.5%</b>	<b>4,322</b>	<b>3.7%</b>
<b>Total return</b>		<b>-0.3%</b>		<b>0.8%</b>		<b>0.2%</b>		<b>11.0%</b>

3-month reinvestment yield	Q2 2017	Write-ups/ write-downs	Disposal gains/losses	Derivatives	H1 2017	Write-ups/ write-downs	Disposal gains/losses	Derivatives
Q2 2017 <b>1.8%</b>	Fixed income <sup>3</sup>	-3	185	-15	Fixed income <sup>3</sup>	-2	913	-133
Q1 2017 2.0%	Equities	-19	248	-47	Equities	-35	560	-278
	Commodities/Inflation	-3		-6	Commodities/Inflation	28		-25
Q4 2016 1.8%	Other	-25	-1	-18	Other	-67	7	-12

<sup>1</sup> Annualised return on quarterly weighted investments (market values) in %. Impact from dividends on regular income 0.5%-pts in Q2 and 0.2%-pts in Q1.

<sup>2</sup> Result from derivatives without regular income and other income/expenses. <sup>3</sup> Thereof interest-rate hedging ERGO: Q2 -€8m/-€3m (gross/net); H1 -€138m/-€17m (gross/net).



ERGO

3

**Gross premiums written** €m

H1 2016		8,993
Foreign exchange		-8
Divestments/investments	■	-84
Organic change	■	120
<b>H1 2017</b>		<b>9,020</b>

- **Life and Health Germany<sup>1</sup> (+€48m):** Growth in Health
- **Property-casualty Germany<sup>1</sup> (+€32m):** Positive development in almost all lines of business, highest growth rate in marine
- **International (-€52m):** 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**

	H1 2017	H1 2016	▲
Technical result	323	286	37
Non-technical result	206	383	-177
thereof investment result	2,630	3,132	-502
Other	-335	-699	365
<b>Net result</b>	<b>195</b>	<b>-30</b>	<b>225</b>
	Q2 2017	Q2 2016	▲
Technical result	161	160	0
Non-technical result	100	303	-203
thereof investment result	1,171	1,741	-570
Other	-157	-481	324
<b>Net result</b>	<b>104</b>	<b>-17</b>	<b>121</b>

**Technical result**

H1: Improvements across all segments

- **L&H Germany:** Driven by improvements in Health
- **P-C Germany:** Mainly due to lower costs
- **International:** Increase mainly in P-C

**Investment result**

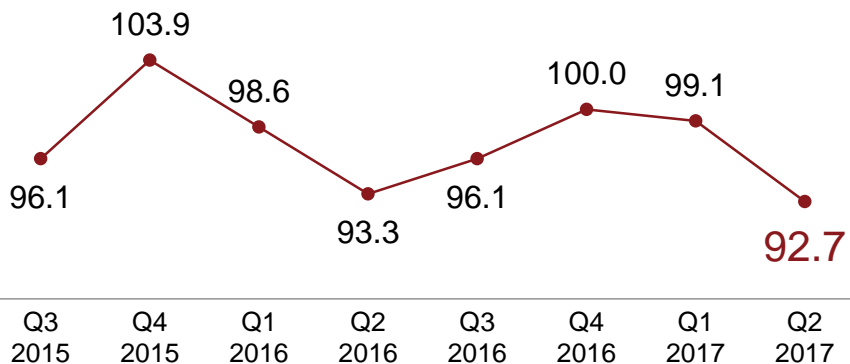
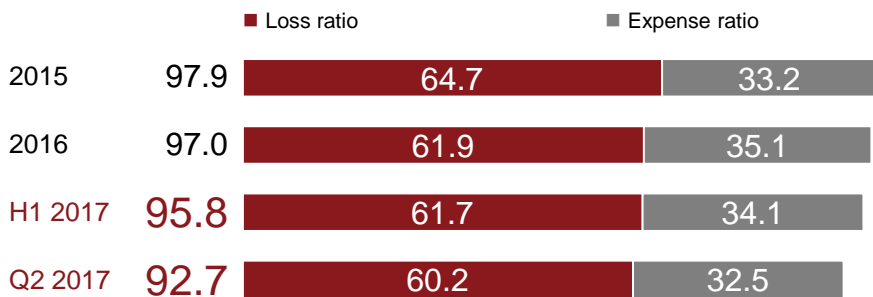
- Q2: Derivatives result significantly lower and decrease of regular income
- Q2: Return on investment: 3.3%

**Other**

- Q2: One-off effects (mainly restructuring expenses) from previous year did not reoccur as well as tax refund with positive impact

# ERGO Property-casualty Germany

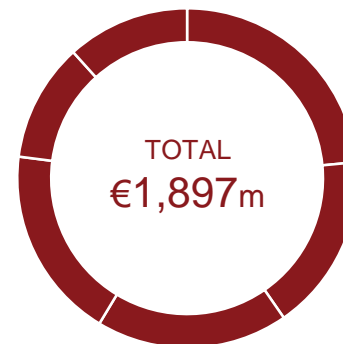
## Combined ratio %



## Gross premiums written €m

Other 222 Motor 446

Legal protection 214



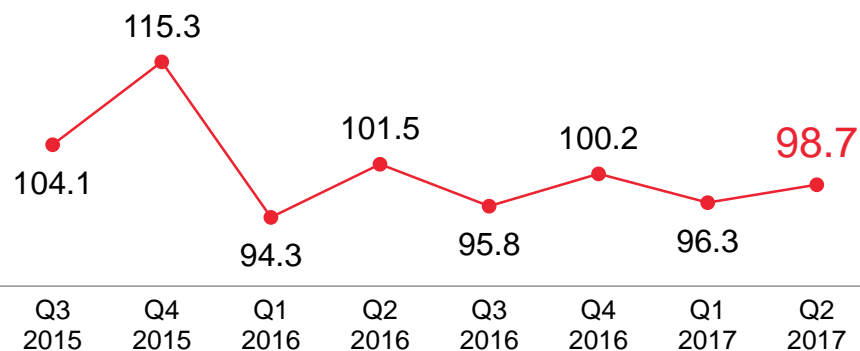
Personal accident 320

Fire/property 349

Liability 349

# ERGO International – Property-casualty, including Health

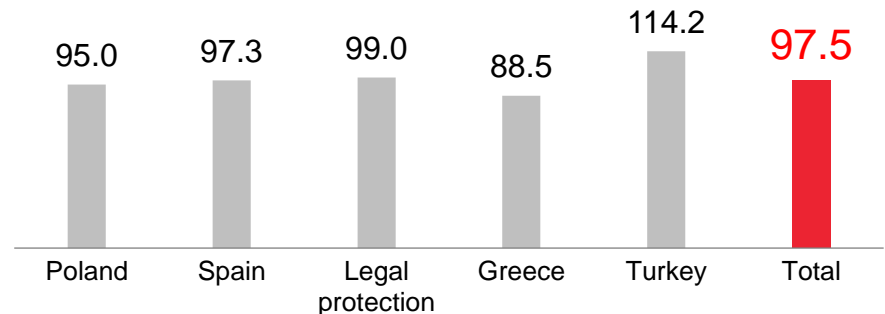
## Combined ratio<sup>1</sup> %



## Gross premiums written €m



## Combined ratio H1 2017<sup>1</sup> %



# Reinsurance

4

# Reinsurance Life and Health

## Gross premiums written

	€m
H1 2016	6,329
Foreign exchange	128
Divestments/investments	0
Organic change	467
<b>H1 2017</b>	<b>6,924</b>

- 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

	H1 2017	H1 2016	▲
Technical result	209	143	66
Non-technical result	159	71	88
thereof investment result	453	335	118
Other	-131	23	-154
<b>Net result</b>	<b>237</b>	<b>237</b>	<b>0</b>
	<b>Q2 2017</b>	<b>Q2 2016</b>	<b>▲</b>
Technical result	64	80	-15
Non-technical result	112	132	-20
thereof investment result	231	255	-23
Other	-64	2	-66
<b>Net result</b>	<b>112</b>	<b>213</b>	<b>-102</b>

### Technical result, incl. fee income of €234m

- Q2 technical result below expectations due to
- Loss from recapture in the US
  - Several largely offsetting one-off effects within normal range of random fluctuations, e.g. increased mortality claims in a small part of the US life book and in Asia as well as reserve strengthening in US health
  - Annual guidance (incl. fee income) lowered to ~€400m

### Investment result

- H1: High regular income supported by deposits retained on assumed reinsurance
- Disposal gains on equities and fixed income
- Q2: Return on investment: 3.4%

### Other

- H1: FX result of -€26m vs. €77m, thereof -€20m in Q2

# Reinsurance Property-casualty

Gross premiums written	€m
H1 2016	9,117
Foreign exchange	153
Divestments/investments	0
Organic change	-489
H1 2017	8,781

- Positive FX effects mainly driven by US\$
- Cancellation/modification of large treaties especially in agro, fire and liability

Major result drivers	€m		
	H1 2017	H1 2016	▲
Technical result	925	1,044	-120
Non-technical result	286	260	26
thereof investment result	957	855	102
Other	-353	-101	-252
<b>Net result</b>	<b>858</b>	<b>1,203</b>	<b>-345</b>
	Q2 2017	Q2 2016	▲
Technical result	537	289	248
Non-technical result	182	498	-316
thereof investment result	487	754	-267
Other	-202	-10	-193
<b>Net result</b>	<b>517</b>	<b>778</b>	<b>-261</b>

## Technical result

- Major loss ratio of 6.0% in Q2 (H1: 7.8%) significantly below expectations
- Elevated expense ratio of 33.5% in Q2 due to true-ups from prior years (1.6%-pts)

## Investment result

- H1: Stable regular income, seasonal dividend payments in Q2
- H1: Less disposal gains, improved derivative result
- Q2: Return on investment: 3.1%

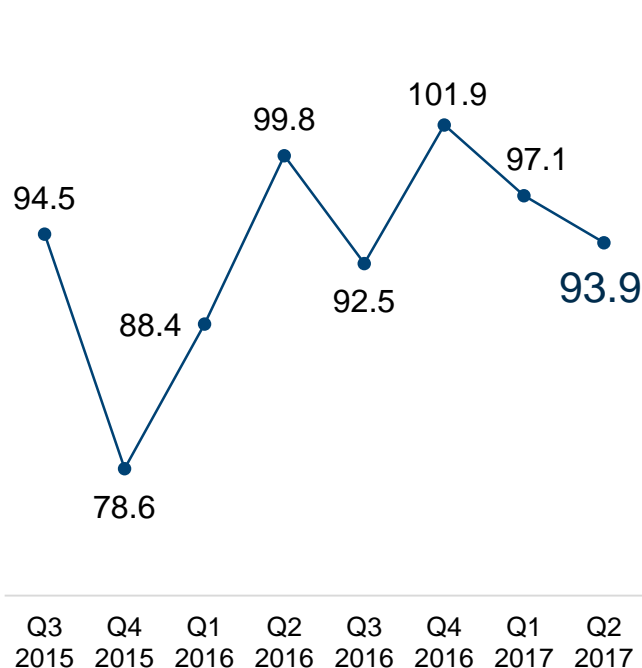
## Other

- H1: FX result of -€129m vs. €268m, thereof -€127m in Q2

# 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
H1 2017	95.5	54.7	7.8	33.0
Q2 2017	93.9	54.4	6.0	33.5

	Major losses	Nat cat	Man-made	Reserve releases <sup>1</sup>	Normalised combined ratio <sup>2</sup>
H1 2017	7.8	2.6	5.2	-5.9	100.6
Q2 2017	6.0	1.6	4.5	-5.7	100.0
Ø Annual expectation	~12.0	~8.0	~4.0	~-4.0	

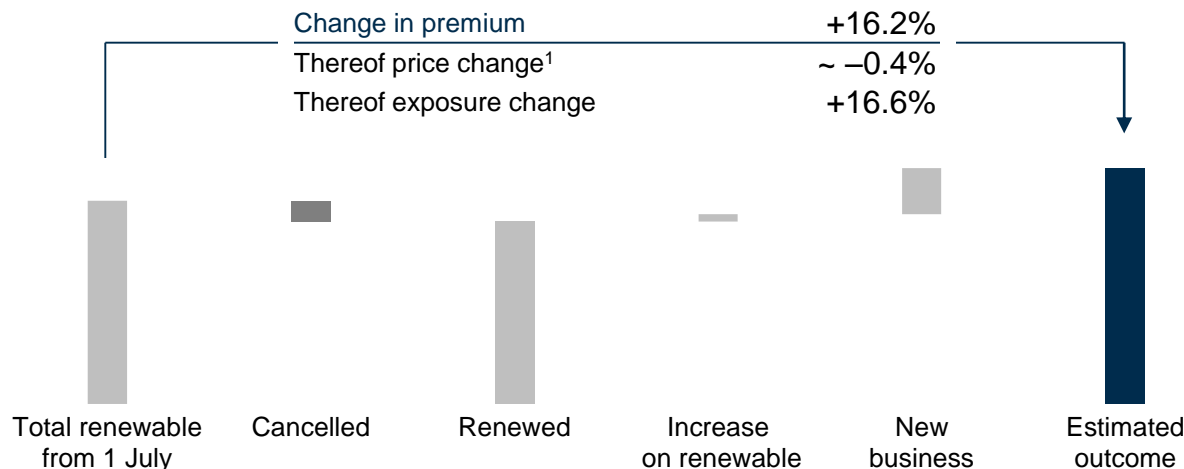
<sup>1</sup> Basic losses prior years, already adjusted for directly corresponding sliding scale and profit commission effects.  
<sup>2</sup> Based on 4%-pts. reserve releases. Q2 2017 adjusted for several larger prior-year commission effects of 1.6%-pts.



# Attractive business opportunities lead to top-line increase, while the trend towards price stabilisation is confirmed

## July renewals 2017

%	100	-10.2	89.8	+3.6	+22.7	116.2
€m	2,234	-227	2,007	+80	+508	2,595



- Top line increases due to opportunities in proportional casualty and property business – with both new and existing clients
- Price change (–0.4%) is in line with last year
- Continued, but moderating, pressure on nat cat XL business
- Proportional business remains resilient

## Portfolio profitability safeguarded by disciplined underwriting

<sup>1</sup> Price change 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

5

## 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**

L&H: Technical result  
 incl. fee income  
**~€400m**  
 (prev. €450m)

P-C  
 Combined ratio<sup>1</sup>  
**~97%**

## ERGO

Gross premiums written  
**€17–17.5bn**

Net result  
**€200–250m**  
 (prev. €150–200m)

P-C Combined ratio  
 Germany                      International  
**~98%**                              **~98%**  
 (prev. ~99%)

<sup>1</sup> ~100% on a normalised basis (12%-pts. major losses, 4%-pts. reserve releases). Expectation for reserve releases in 2017 ~6%.

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.