



plainpicture/fStop/Ralf Hiemisch

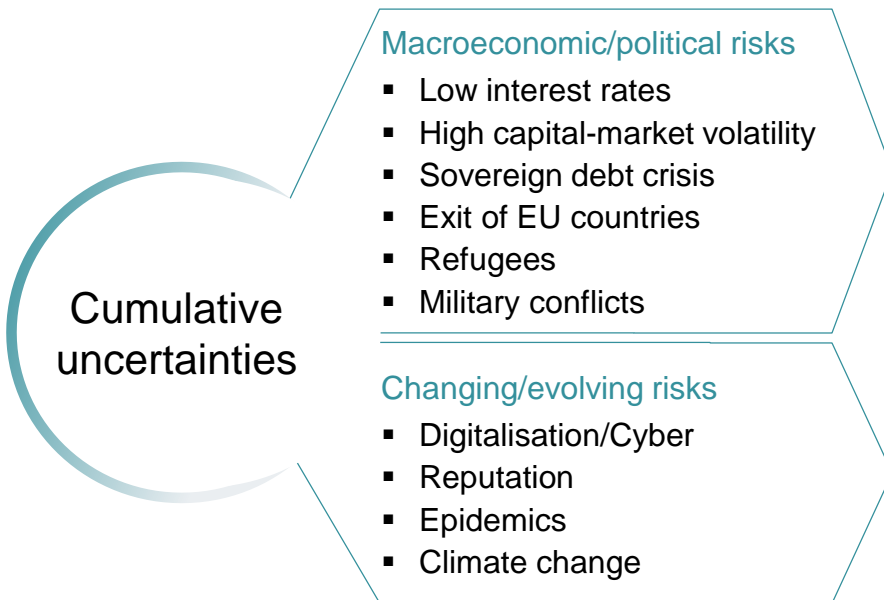
# Priced for uncertainty – looking for answers

Bank of America Merrill Lynch – 21st Annual Financials CEO Conference

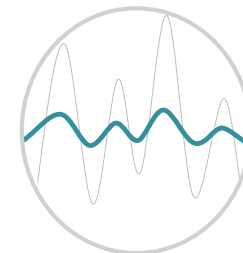
London, 29 September 2016

Nikolaus von Bomhard

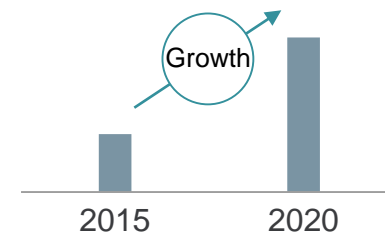
# Global environment becoming increasingly challenging while changing risks provide opportunities



GOAL  
Dampening volatility



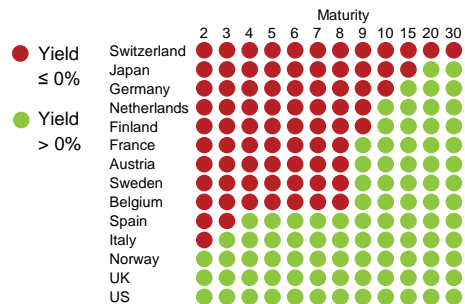
GOAL  
Providing solutions



Proactive risk management builds up resilience in an unpredictable and unstable environment – Exploring attractive mid to long-term growth opportunities to overcome soft reinsurance markets

# Macroeconomic/political risks – Proactively limiting the economic impact

## Structural risks – Coping with negative government bond yields<sup>1</sup>



### Impact

Ongoing decline of reinvestment yield putting pressure on running yield

**Munich Re strategy**  
Adhere to strict ALM

## Event-driven risks – Increasing capital-market volatility, e.g. after Brexit vote



Strong FX moves  
Equity markets  
Financial sector  
Precious metals



**Impact**  
Volatile investment and FX result  
**Munich Re strategy**  
Diversification

## Munich Re investment portfolio

Well diversified –  
Group-wide trigger and limit system

Hedging of macroeconomic risks –  
affecting both, assets and liabilities

Reasonable credit exposure –  
with high quality of counterparties

Munich Re well-positioned to prevail through challenging times

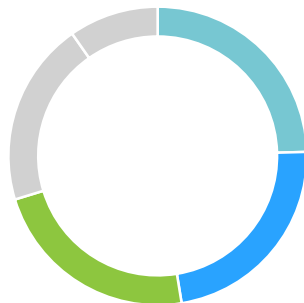
<sup>1</sup> Source: Bloomberg, UBS. July 2016.

# Well-balanced investment portfolio provides resilience against volatile capital markets

Market-risk contribution  
(SCR as at 31.12.2015, undiversified) %

Real estate

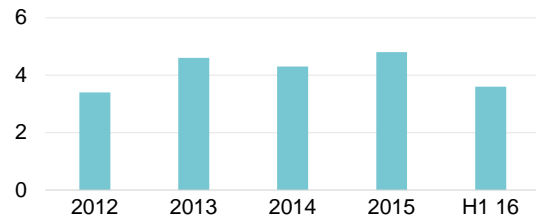
Equity<sup>1</sup>



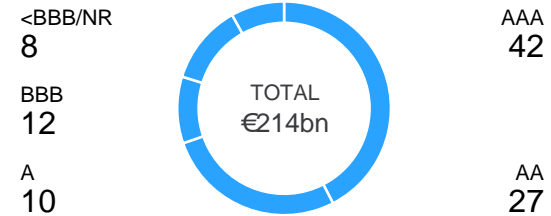
Currency

General interest rate

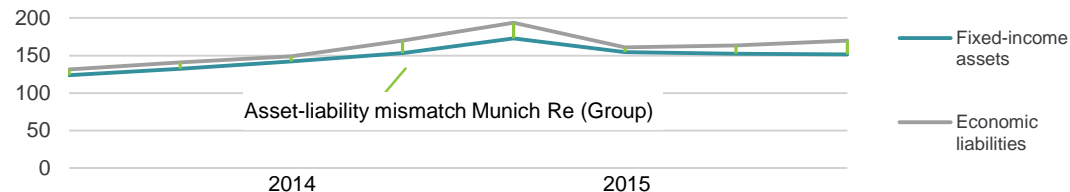
Equity –  
Low gearing<sup>2</sup> %



Credit –  
High quality<sup>3</sup> %



General interest rate – Tight AL-matching (DV01) €m



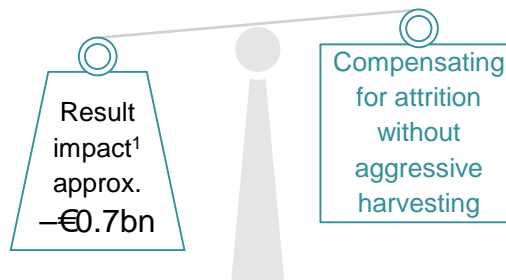
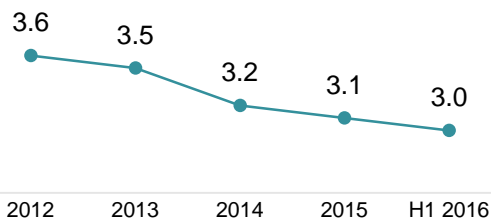
Keeping moderate investment risk profile – No hunt for yields to compensate for low interest rates

1 Equity risk also includes alternative investments, such as investments in infrastructure. 2 Net of hedges. 3 Fixed-income portfolio as at 30.6.2016.

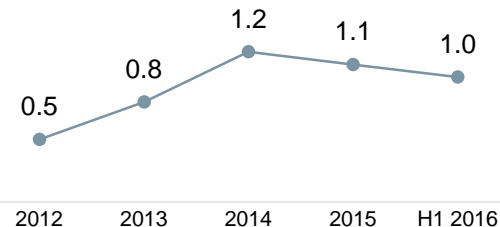
# Strong balance sheet mitigates the impact of low interest rates and competitive p-c reinsurance markets

Low interest rates

Attrition of running yield – Munich Re (Group)

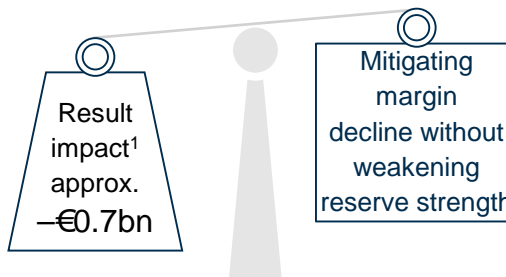
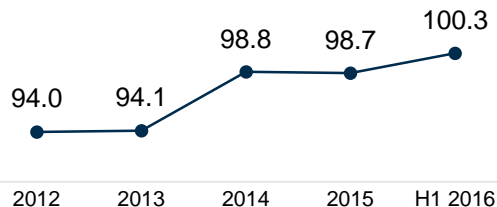


Ongoing disposal gains – Munich Re (Group)

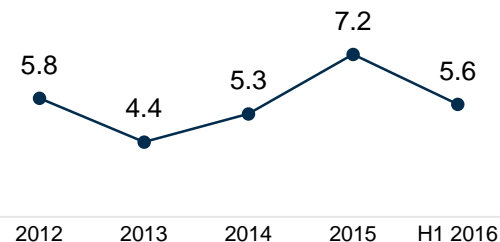


P-C re-insurance

Increasing normalised combined ratio



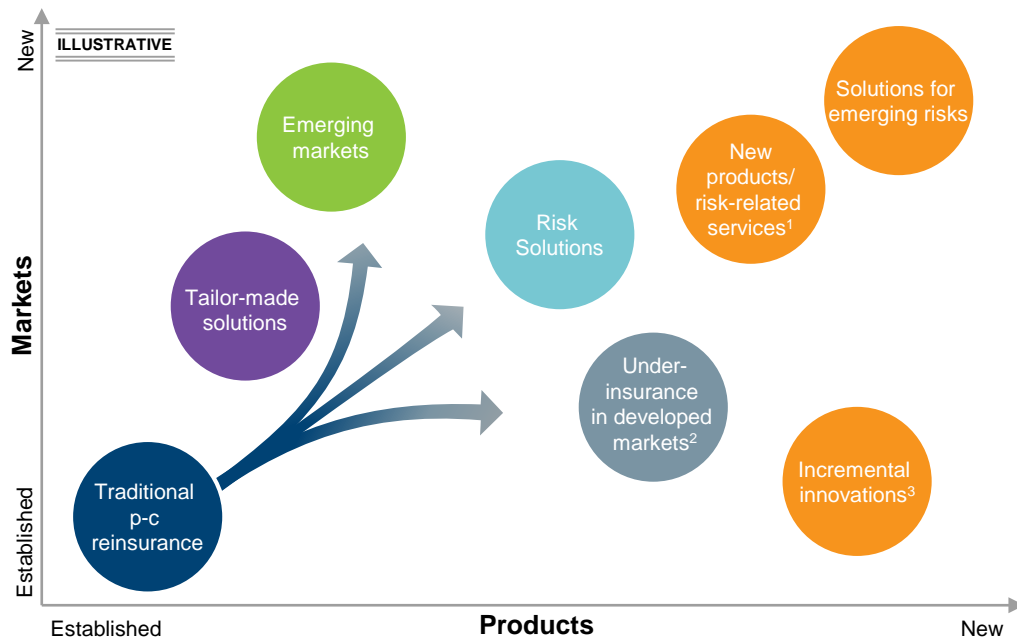
Ongoing reserve releases



Strong balance sheet continues to translate into sustainable earnings

1 Impact on IFRS net result from 2012 until H1 2016.

# Munich Re is well positioned to manage the current market environment and drive industry innovation



**Traditional p-c reinsurance**  
Munich Re in excellent position to successfully manage the soft cycle

TOTAL<sup>4</sup>  
€13bn

**Risk Solutions**  
Continuous growth in expertise-driven specialty and niche business

TOTAL<sup>4</sup>  
€5bn

**Innovation**  
Active development of business opportunities, tapping new profit pools

TOTAL<sup>4,5</sup>  
~€500m

Efficiently running the traditional book while continuously exploring new products/markets

1 e.g. Cyber insurance, performance guarantees for renewable energies. 2 e.g. Liability risks of oil platforms. 3 e.g. Satellite life-time insurance.  
4 Gross premium written as at 31.12.2015. 5 Munich Re (Group); indirect effects on traditional business not included.

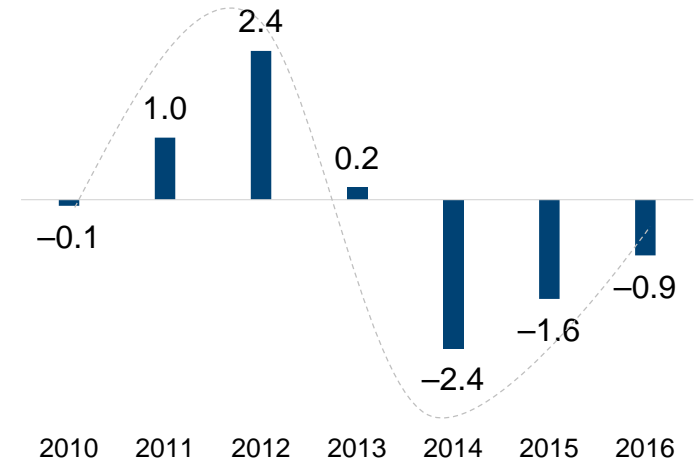
# Traditional p-c reinsurance – Portfolio profitability protected by disciplined underwriting and consistent cycle management

## Profitable core business

- Preferential client access**
  - ~50% private placements<sup>1</sup>
  - ~2/3 direct client business
- Leading risk know-how**
  - ~30% tailor-made solutions<sup>1</sup>
  - Comprehensive service offering
- Superior diversification**
  - As regards perils, forms of cover, regions, short/long-tail
- Stringent cycle management**
  - Strong u/w discipline and conservatism in reserving
  - Deliberate portfolio shifts to less commoditised business

TOTAL<sup>2</sup>  
€13bn

## Renewals – Nominal price changes %



Traditional portfolio relatively resilient to pressure on rates – Diversification provides flexibility in managing the portfolio

<sup>1</sup> Related to premium volume in 2016. . <sup>2</sup> Gross premium written as at 31.12.2015.

# Risk Solutions – Highly valuable business segment with strong top and bottom-line contribution

Gross earned premiums<sup>1</sup>

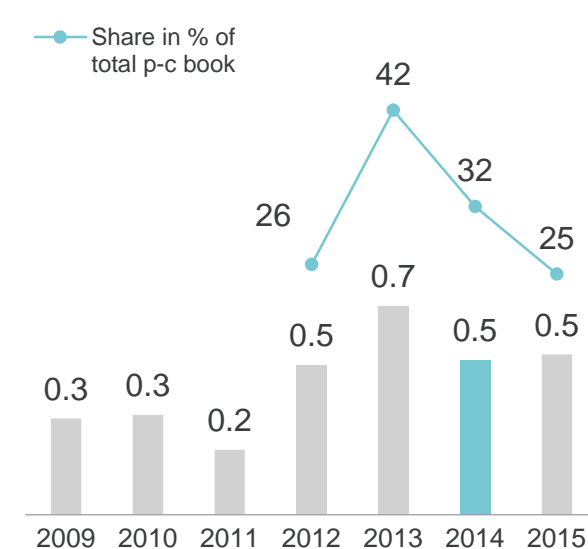
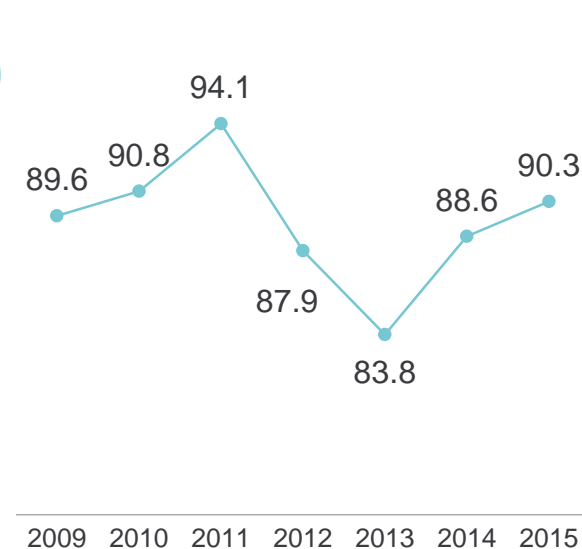
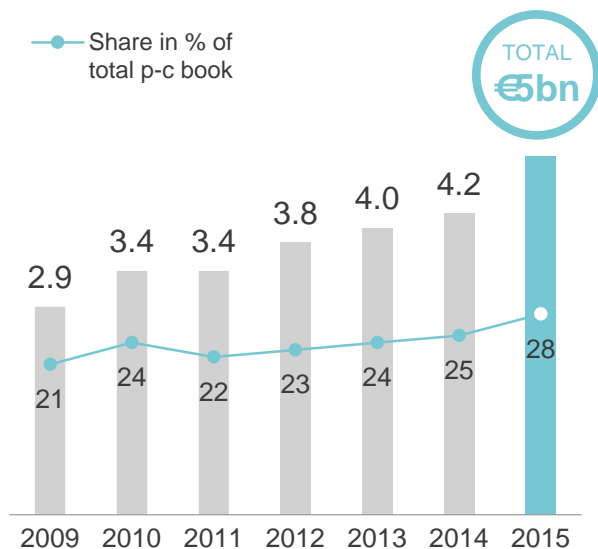
€bn

Combined ratio<sup>1</sup>

%

Underwriting result<sup>1</sup>

€bn



Business largely detached from reinsurance cycle



# Innovation – Major innovation trends impact the industry, creating opportunities and challenges for (re)insurers

## Major innovation trends – Impact on industry

### Digitalisation and new technologies

- + New exposures and risks (e.g. cyber)
- + Bundled products
- + Corporate partnering
- + Cost reduction

### Improved data availability and sophisticated analysis methods

- + Improved risk selection/pricing
- + Competitive advantage for data owners

### Changing customer expectations and behaviour<sup>1</sup>

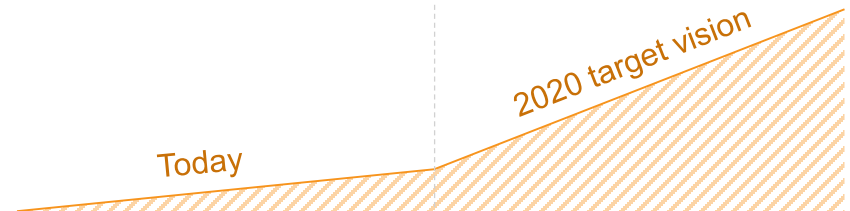
- + Efficient customer acquisition and improved retention
- New capabilities required to compete with current set-up

- Reduced risks/loss frequency

- Danger of anti-selection

- Risk of disruption/disintermediation

## Munich Re – Active development of business opportunities



- Innovation-related business already sizeable

TOTAL<sup>2</sup>  
~€500m

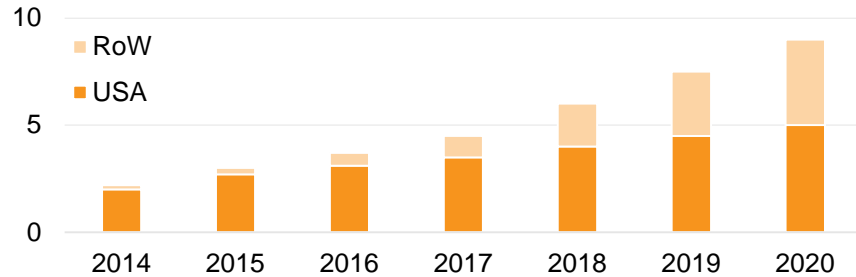
- Risk carrier for established and new (digital) companies
- Provider of integrated risk services
- Automation support for cedants
- Tailored solutions and white-label products

Munich Re fosters innovation throughout the global organisation –  
Tapping new profit pools by expanding market boundaries with innovative products and services

# Innovation – Cyber (re)insurance market

## Strong and long-term growth to be expected

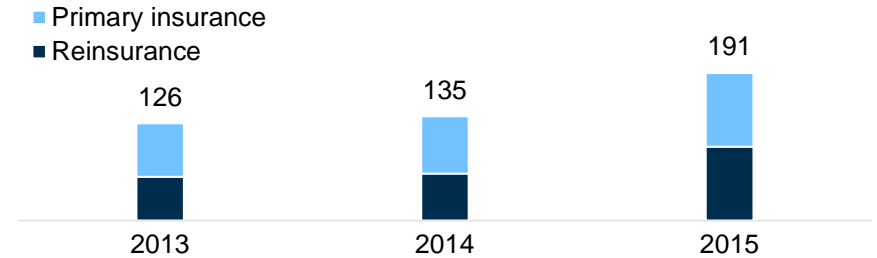
GWP global cyber insurance market<sup>1</sup> US\$ bn



### Driving forces/trends

- Digitalisation
- Global connectivity and interconnectedness
- Growth of virtual business models in many industries
- Increasing legislation and internal governance requirements
- New products and extension of coverage types

GWP Munich Re cyber portfolio US\$ m



### Munich Re strategy

- High level of investments to build up infrastructure
- Collaboration with external partners in specific areas
- Cautious deployment of single-risk and accumulation capacity

With our leading-edge expertise and strong global market presence, we will cautiously participate in the growth of this market segment

<sup>1</sup> Estimates based on different external sources (Marsh & McLennan, Barbican Insurance, Allianz).

# ERGO – Strategy Programme strengthens sustainable competitiveness

## ERGO Strategy Programme – Ambition

- Strengthen role of leading primary insurer with strong domestic market
- Convince all stakeholders

Fit ...

Establish leaner and more effective structures

Digital ...

Lay the foundations for transforming the business model

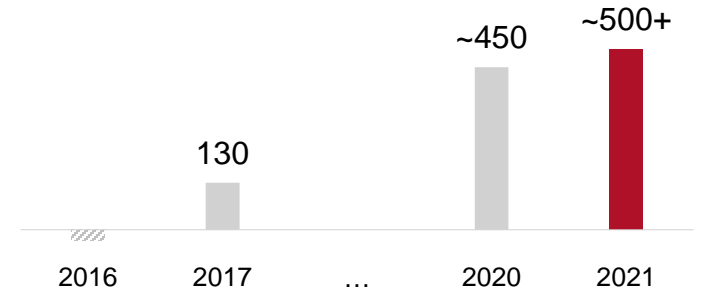
Successful!

Offer convincing solutions in all customer segments

Investments impacting net profit by ~€1bn until 2020

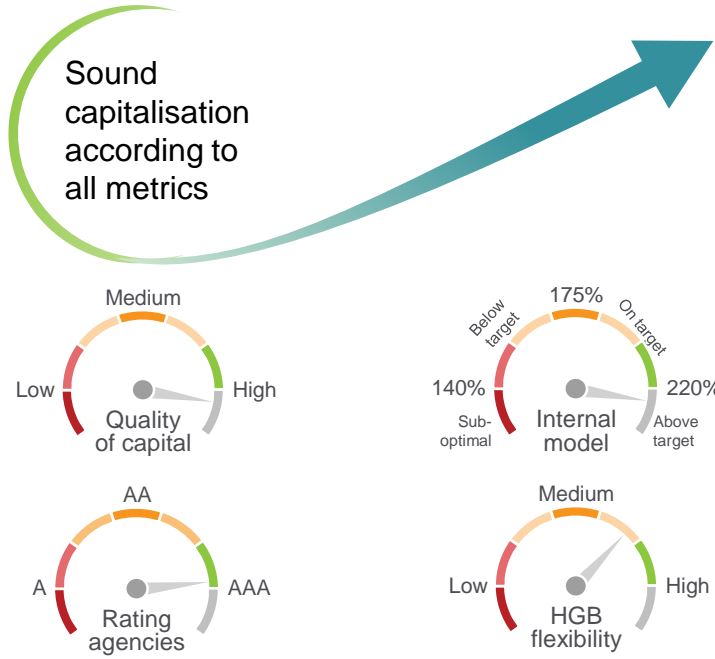
Annual cost savings from 2020 ~€540m/~€280m (gross/net)

ERGO: Increasing IFRS net profit €m



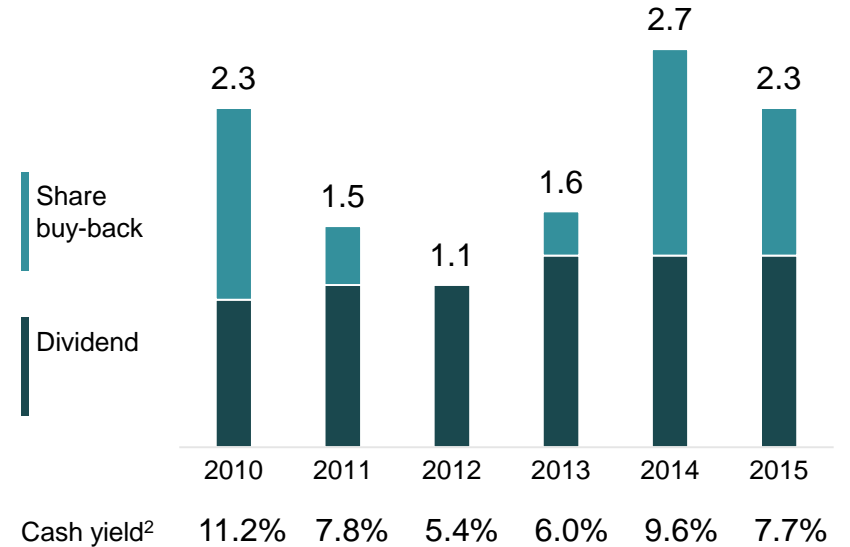
ERGO's profitability will cover its cost of capital from 2020 and create incremental added value thereafter

# Strong capital position according to all metrics facilitates financial flexibility, including high shareholder distribution



## Attractive shareholder participation<sup>1</sup>

€bn



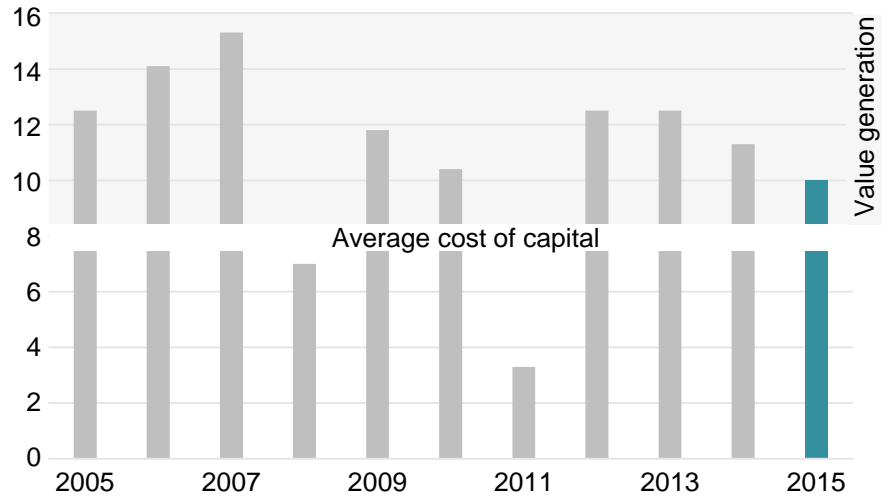
Cash yield<sup>2</sup> 11.2% 7.8% 5.4% 6.0% 9.6% 7.7%

Munich Re continues to provide high cash returns to shareholders

<sup>1</sup> Cash-flow view. <sup>2</sup> Total payout (dividend and buy-back) divided by average market capitalisation.

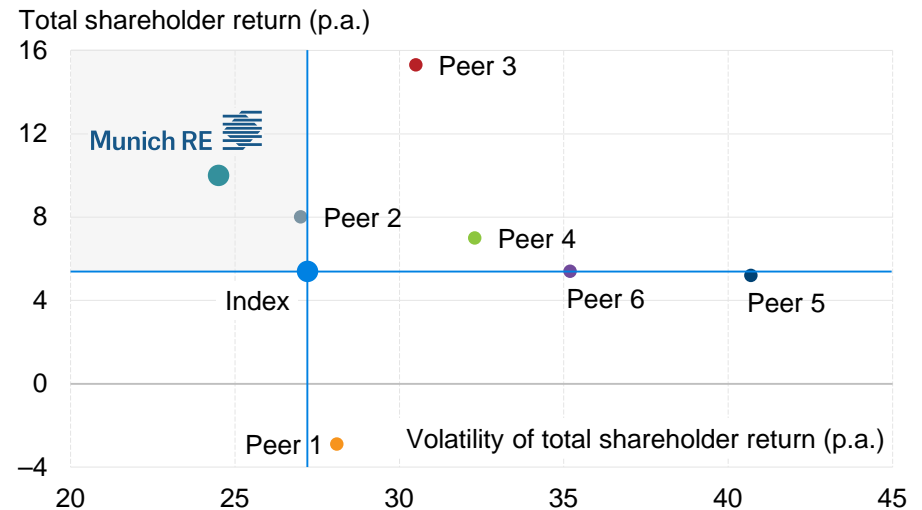
# Convincing track record in value generation

## Return on equity



11-year average ROE: ~11.0% –  
Clearly exceeds average cost of capital: ~8%

## Risk/return profile<sup>1</sup>



Annualised TSR: ~10.0% –  
Outperforming major peers and insurance index

Balanced business portfolio paves the way for sustainable profitability

1 Annualised total shareholder return defined as price performance plus dividend yield over the period from 1.1.2005 until 31.8.2016; based on Datastream total return indices in local currency; volatility calculation with 250 trading days per year. Peers: Allianz, Axa, Generali, Hannover Re, Swiss Re, ZIG, Stoxx 600 Insurance ("Index").

# Financial calendar

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## 2016

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9 November Quarterly statement as at 30 September 2016<sup>1</sup>

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## 2017

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7 February Preliminary key figures 2016 and renewals

15 March Balance sheet press conference for 2016 financial statements  
Analysts' conference in Munich with videocast

26 April Annual General Meeting 2017, ICM – International Congress Centre Munich

9 May Quarterly statement as at 31 March 2017<sup>1</sup>

9 August Half-year financial report as at 30 June 2017

9 November Quarterly statement as at 30 September 2017<sup>1</sup>

<sup>1</sup> Munich Re is adjusting its financial reporting format following an amendment to the regulations of the Frankfurt stock exchange. The half-year financial reports and annual reports will remain unchanged. However, instead of issuing quarterly reports for the first and third quarters, we will release reports in the new form of quarterly statements from 2016 onwards. We will continue to present and explain the figures for each quarter in telephone conferences for analysts and journalists, and in press releases.

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