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**Press release**

## Munich Re targets profit of €3bn in 2014

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**Munich Re is aiming for a profit of €3bn in 2014. CEO Nikolaus von Bomhard is optimistic about the further development of the Group's business in 2014. Munich Re closed 2013 with a profit of €3.3bn – the third-best result in the Company's history. As already announced, subject to approval by the Annual General Meeting, the shareholders are to participate in this via an increased dividend of €7.25 (7.00) per share. In addition, Munich Re announced another share buy-back: shares with a volume of up to €1bn are again to be repurchased before the Annual General Meeting in 2015.**

Commenting on the 2013 financial year, CEO Nikolaus von Bomhard said: "The result for 2013 is an indication of how we have positioned ourselves competitively – we have strategically prepared Munich Re for foreseeable challenges which we can now tackle from a position of strength." These challenges included the lingering low-interest-rate environment, increasing competition in reinsurance, and changes in demand from clients in primary insurance.

"We have done our homework in recent years. Our capital base is more than solid, in reinsurance we are committed to solution-finding competence, and in primary insurance we are bringing a visionary concept to the German market with our new generation of life insurance products", emphasised von Bomhard. "We want our shareholders to participate in Munich Re's success. The Board of Management and Supervisory Board will thus propose to the Annual General Meeting to increase the dividend to €7.25 per share."

For 2014, von Bomhard stated: "We are aiming for a consolidated result of €3bn in 2014." This is an ambitious objective, he indicated, given the parameters: Munich Re is reckoning in particular with a continuation of the low interest-rate levels in 2014 and hence with somewhat lower regular income from investments. In addition, a normal tax burden is expected again for 2014, after Munich Re posted a very low effective tax rate in 2013 due to the recalculation of tax for prior years and the utilisation of loss carry-forwards. "The quality of our core business allows us to formulate this ambitious result target", said von Bomhard.

Munich Re has announced a further share buy-back programme: before the Annual General Meeting on 23 April 2015, shares with a volume of up to €1bn are to be repurchased. The buy-back is conditional on no major upheavals occurring on the capital markets or in underwriting business. On the basis of the current share price, the buy-back would involve around 6.6 million shares or approximately 3.7% of the share capital. "With this share buy-back, we are again paying out currently unneeded earned capital to shareholders," said von Bomhard. "Our good capitalisation enables us to continue taking selective advantage of opportunities for profitable growth in individual regions and classes of business. At the same time, it supports the discipline which is so important to us when underwriting risks." The currently ongoing buy-back is to be concluded by the Annual General Meeting on 30 April 2014; to date, around 5.2 million shares worth approximately €810m have been bought back. Since November 2006, Munich Re has thus carried out share buy-backs with a total volume of €6.8bn.

#### **Summary of the figures for the financial year 2013**

In 2013, the Group posted an operating result of €4.4bn (5.3bn). Despite low interest rates and the adverse effects of exchange rates, shareholders' equity decreased in 2013 by only around €1.2bn to €26.2bn (31.12.2012: €27.4bn) – mainly thanks to the high profit for the year. The return on risk-adjusted capital (RORAC) was 12.2% (13.2%), whilst the return on IFRS equity (RoE) amounted to 12.5% (12.5%). Gross premiums written by the Group in the financial year 2013 fell slightly to €51.1bn (52.0bn) owing to currency effects.

In 2013, Munich Re further strengthened its equity capital according to its internal model, i.e. based on economic and risk-based calculations, as well as according to IFRS accounting: as at 31 December 2013, Munich Re's available financial resources were 153% (129%) of its self-defined economic risk-capital requirement ("economic solvency ratio"). This internal capital requirement corresponds to 1.75 times the future risk tolerance under Solvency II. Subject to pending changes until supervisory recognition, the solvency ratio according to Solvency II requirements would thus be 267% (225%).

#### **Reinsurance: Very high result of €2.8bn**

The reinsurance business field contributed €2.8bn (3.1bn) to the consolidated result. Partly due to the lower income from investments, the operating result decreased from €4.3bn to €3.5bn.

Owing to changes in exchange rates, gross premiums written sank somewhat to €27.8bn (28.2bn); of this, €17.0bn was attributable to property-casualty reinsurance and €10.8bn to life reinsurance. If exchange rates had remained the same, premium volume would have increased by 3.1%. The rise in premium adjusted for exchange rates is mainly attributable to the expansion of Munich Re's motor business and the growth of its US agricultural reinsurance business.

Life reinsurance accounted for €413m of the consolidated result. In Australia, group disability business saw a market-wide increase in claims. On top of this, additional provision had to be made for more frequent and more costly claims

under some contracts in individual disability business. In the USA, Munich Re posted increased expenses – especially in the first three quarters of the year – for mortality covers. By contrast, Munich Re achieved particularly gratifying results in Canada and Asia, where its expectations were surpassed owing to good claims experience. The high-volume treaties concluded in recent years continued to contribute favourably to the result.

The consolidated result in property-casualty reinsurance was down on the previous year at €2.4bn (2.6bn). The combined ratio in property-casualty reinsurance was a very good 92.1% (91.0%) of net earned premiums for the year as a whole. Munich Re's customary review of reserves resulted in a reduction in the claims provisions for prior years amounting to around €0.8bn for the full year, which is equivalent to around 4.7 percentage points of the combined ratio.

Natural catastrophe losses in property casualty business remained below expectations, impacting the full year with €764m (1,284m), while man-made major losses amounted to an above-average €925m (515m). The two largest losses in 2013 were the floods in central Europe in June (€178m) and the intense rain and hailstorms in Germany in June and July (€174m). Overall claims expenditure for major losses in 2013 totalled €1,689m (1,799m).

Torsten Jeworrek, Munich Re's Reinsurance CEO: "As a well diversified reinsurer with extensive know-how, we are in a position to offer tailor-made solutions." These include multi-year treaties (occasionally incorporating cross-line and cross-regional covers), retroactive reinsurance solutions, transactions for capital relief, comprehensive consultation on capital management, and the insurance of complex liability, credit and large industrial risks. "Moreover, with our technical expertise and risk knowledge, we are able to support rapidly growing industries and to judiciously extend the boundaries of insurability with needs-based covers", said Jeworrek.

The renewals at 1 April 2014 (mainly Japan) and 1 July 2014 (parts of the US market, Australia and Latin America) will involve a premium volume of around €3.2bn of reinsurance treaty business, with a greater proportion of natural catastrophe business than the renewals in January. Munich Re expects the environment to remain competitive if there are no major loss events. "Given our strong position on the market, we expect to be able to limit the effects on our own portfolio", explained Jeworrek.

#### **Primary insurance: Substantially improved result situation**

In its primary insurance business, Munich Re posted a significantly higher profit of €433m (240m). The operating result fell by around 20% to €693m. Apart from the still-challenging investment environment, the participation of life-segment policyholders in a tax refund also played a role here. Gross premiums written in 2013 decreased by 2.4% to €16.7bn (17.1bn).

The ERGO Insurance Group, in which Munich Re concentrates its primary insurance business, showed a profit of €436m (290m). ERGO CEO Torsten

Oletzky: "I am very satisfied with this result from ERGO, which is at the top end of our expectations."

In international property-casualty insurance, the combined ratio improved to around 98.7% of net earned premiums. Following a series of large losses – chiefly due to natural hazards – the combined ratio in German business was 96.3%.

Overall premium income across all lines of business decreased by 2.8% to €18.0bn (18.6bn) in 2013. Gross premiums written in the primary insurance segment in 2013 decreased by 2.4% to €16.7bn (17.1bn). In the health and property-casualty segments, gross premiums written reached roughly the same level as last year at €5.7bn (5.7bn) and €5.5bn (5.6bn) respectively. ERGO CEO Oletzky commented: "In life insurance, it is true for the industry as a whole that profitable growth is exceptionally difficult to realise in the current environment. The market still has a long way to go to combine being profitable with making clients attractive offers of needs-based products. So I am pleased that we at ERGO are again able to deliver on our brand proposition with our new product generation."

At the beginning of June 2013, ERGO unveiled a completely new generation of life insurance products. In the medium term, these are intended to make up a large portion of new business. The business figures for 2013 did not yet benefit to a material extent from the sale of the new products, because the product range has thus far been limited to what is known as the third layer of old-age provision. "Now we plan to also make it marketable for the other two layers – state-sponsored products and company pension schemes", announced Oletzky.

#### **Munich Health: Restructuring in the USA pays off**

This business field posted a profit of €150m in 2013 (previous year: loss of €91m). Munich Health's operating result increased to €167m (109m), mainly owing to the restructuring of US Medicare business. The sale of the Windsor Health Group (WHG), agreed in late August 2013 and completed as at 31 December 2013, concludes the restructuring measures.

Owing to negative currency effects, Munich Health's premium income in 2013 was down by around 2% to €6.6bn (6.7bn). In reinsurance, premiums amounted to €4.6bn (4.7bn), including premium income from large-volume treaties providing capital relief for clients in North America. In primary insurance, there was a fall in premiums of 4.4%, mainly a consequence of discontinuation of WHG's loss-producing business with pure cost reimbursement products in the US Medicare sector. If exchange rates had remained the same overall, Munich Health's gross premiums in the reporting year would have increased by 1.4%. The combined ratio for 2013 amounted to 98.3% (100.2%).

#### **Investments: Investment result of €7.7bn despite low interest rates**

With a carrying amount of €209.5bn (market value of €217.7bn), total investments at 31 December 2013 were down on the year-end 2012 figure of €213.8bn (€224.5bn at market value). This decline was due to a rise in interest

rates and to currency translation effects. The Group extended its investments in infrastructure, renewable energies and new technologies (RENT) to around €1.5bn. Munich Re intends to further expand investment in this sector in 2014, provided that the parameters are reliable and an appropriate return can be generated.

The Group's investment result fell to €7.7bn (8.4bn). Of this, €400m was income from unit-linked life insurance. This result represents a return of 3.5% in relation to the average market value of the portfolio. Munich Re's equity-backing ratio at 31 December 2013, including equity derivatives, increased to 4.5% (31 December 2012: 3.4%). Fixed-interest securities, loans and short-term fixed-interest investments continued to make up the largest portion of Munich Re's investments, with a share of 81% at market value.

Regular income sank by 3.4% year on year in 2013 to €7.5bn. The running yield fell from 3.6% to 3.4%. In the write-ups and write-downs of its investments, Munich Re posted net write-downs of €670m (-8m), particularly on its inflation, equity and interest-rate derivatives. The result from the disposal of investments, which primarily involved government bonds, amounted to €1,059m (652m).

CFO Jörg Schneider expressed satisfaction with the investment result: "3.5% is a good return from our diversified investment portfolio with only moderate risks. We are adhering to our balanced investment policy."

The Group's asset manager is MEAG, whose assets under management as at 31 December 2013 included not only Group investments but also segregated and retail funds totalling €12.9bn (11.5bn).

#### **Outlook for 2014: Group objective of €3bn**

Assuming exchange rates remain stable, the Group anticipates that for the financial year 2014 its gross premiums written will be around €50bn. It expects gross premium income of some €28bn in the reinsurance segment, and a figure of slightly above over €16.5bn for primary insurance. Total premium income in primary insurance (including the savings premiums of unit-linked life insurance and capitalisation products) should be slightly above €18bn. Gross premiums written of slightly above €5.5bn are projected for Munich Health.

For property-casualty reinsurance, Munich Re's target remains a combined ratio of around 94% of net earned premiums. In property-casualty primary insurance, the combined ratio for 2014 should be approximately 95%. The combined ratio for Munich Health is likely to be around 99%.

For 2014, Munich Re anticipates consistently low interest-rate levels and hence somewhat lower regular income from fixed-interest investments. Overall, Munich Re expects a return on investment of around 3.3%, equivalent to a decrease of 0.2 percentage points on last year.

The consolidated result for 2014 in reinsurance should be in the range of €2.3–2.5bn. For the primary insurance segment, Munich Re projects a consolidated

result for 2014 in the range of €400–500m, with €350–450m for the ERGO Group. The difference between the consolidated result targets for the primary insurance segment and ERGO is mainly attributable to intra-Group business between primary insurance and reinsurance. Munich Re targets a profit of around €100m for Munich Health.

The Group is aiming for a consolidated result of €3bn, subject to claims experience with regard to major losses being within normal bounds and to its income statement not being impacted by severe currency or capital market developments, significant changes in fiscal parameters, or other exceptional factors.

As already announced, subject to approval by the Annual General Meeting, Munich Re intends to pay an increased dividend for the 2013 financial year of €7.25 per share in May 2014, equivalent to a total payout of nearly €1.3bn based on the shares currently in circulation.

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**Munich Re** stands for exceptional solution-based expertise, consistent risk management, financial stability and client proximity. This is how Munich Re creates value for clients, shareholders and staff. In the financial year 2013, the Group – which combines primary insurance and reinsurance under one roof – achieved a profit of €3.3bn on premium income of over €51bn. It operates in all lines of insurance, with almost 45,000 employees throughout the world. With premium income of around €28bn from reinsurance alone, it is one of the world's leading reinsurers. Especially when clients require solutions for complex risks, Munich Re is a much sought-after risk carrier. Its primary insurance operations are concentrated mainly in the ERGO Insurance Group, one of the major insurance groups in Germany and Europe. ERGO is represented in over 30 countries worldwide and offers a comprehensive range of insurances, provision products and services. In 2013, ERGO posted premium income of €18bn. In international healthcare business, Munich Re pools its insurance and reinsurance operations, as well as related services, under the Munich Health brand. Munich Re's global investments amounting to €209bn are managed by MEAG, which also makes its competence available to private and institutional investors outside the Group.

#### **Disclaimer**

This press release 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 conform them to future events or developments.

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<b>Key figures (IFRS) for the Group in the 2013 financial year*</b>					
(in €m unless otherwise indicated)					
		2013	2012	Change	
				Absolute	%
Gross premiums written		51,060	51,969	-909	-1.7
Net earned premiums		49,172	50,499	-1,327	-2.6
Net expenses for claims and benefits		39,916	40,996	-1,080	-2.6
Technical result		3,656	3,859	-203	-5.3
Investment result		7,657	8,442	-785	-9.3
Thereof	realised gains	3,355	3,419	-64	-1.9
	realised losses	2,296	2,767	-471	-17.0
Non-technical result		753	1,490	-737	-49.5
Operating result		4,409	5,349	-940	-17.6
Net finance costs		-257	-297	40	13.5
Taxes on income		108	878	-770	-87.7
Consolidated profit		3,342	3,204	138	4.3
Thereof attributable to	Munich Re equity holders	3,313	3,188	125	3.9
	minority interests	29	16	13	81.3
		<b>31.12.2013</b>	<b>31.12.2012</b>		
Investments		209,474	213,833	-4,359	-2.0
Equity		26,226	27,439	-1,213	-4.4
Staff		44,665	45,437	-772	-1.7
<b>Reinsurance</b>					
		2013	2012	Change	
				Absolute	%
Gross premiums written		27,842	28,182	-340	-1.2
Technical result		2,838	3,208	-370	-11.5
Non-technical result		706	1,110	-404	-36.4
Operating result		3,544	4,318	-774	-17.9
Result		2,797	3,055	-258	-8.4
Thereof	<b>Reinsurance Life</b>	2013	2012	Change	
				Absolute	%
	Gross premiums written	10,829	11,130	-301	-2.7
	Technical result	370	420	-50	-11.9
	Non-technical result	181	301	-120	-39.9
	Operating result	551	721	-170	-23.6
	Result	413	496	-83	-16.7
	<b>Reinsurance Property-casualty</b>	2013	2012	Change	
				Absolute	%
	Gross premiums written	17,013	17,052	-39	-0.2
	Combined ratio in %	92.1	91.0	1.1	
	Technical result	2,468	2,788	-320	-11.5
	Non-technical result	525	809	-284	-35.1
	Operating result	2,993	3,597	-604	-16.8
	Result	2,384	2,559	-175	-6.8



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<b>Primary insurance</b>		<b>2013</b>	2012	Change	
				Absolute	%
Gross premiums written		<b>16,667</b>	17,084	-417	-2.4
Technical result		<b>683</b>	615	68	11.1
Non-technical result		<b>10</b>	275	-265	-96.4
Operating result		<b>693</b>	890	-197	-22.1
Result		<b>433</b>	240	193	80.4
<b>Thereof</b>					
	<b>Primary insurance Life</b>	<b>2013</b>	2012	Change	
				Absolute	%
	Gross premiums written	<b>5,489</b>	5,798	-309	-5.3
	Technical result	<b>-36</b>	5	-41	-
	Non-technical result	<b>18</b>	355	-337	-94.9
	Operating result	<b>-18</b>	360	-378	-
	Result	<b>134</b>	155	-21	-13.5
	<b>Primary insurance Health</b>	<b>2013</b>	2012	Change	
				Absolute	%
	Gross premiums written	<b>5,671</b>	5,732	-61	-1.1
	Technical result	<b>400</b>	384	16	4.2
	Non-technical result	<b>-116</b>	-144	28	19.4
	Operating result	<b>284</b>	240	44	18.3
	Result	<b>130</b>	89	41	46.1
	<b>Primary insurance Property-casualty</b>	<b>2013</b>	2012	Change	
				Absolute	%
	Gross premiums written	<b>5,507</b>	5,554	-47	-0.8
	Combined ratio in %	<b>97.2</b>	98.7	-1.5	
	Technical result	<b>319</b>	226	93	41.2
Non-technical result	<b>108</b>	64	44	68.8	
Operating result	<b>427</b>	290	137	47.2	
Result	<b>169</b>	-4	173	-	
<b>Munich Health</b>					
	<b>2013</b>	2012	Change		
			Absolute	%	
Gross premiums written	<b>6,551</b>	6,703	-152	-2.3	
Combined ratio in %	<b>98.3</b>	100.2	-1.9		
Technical result	<b>135</b>	36	99	275.0	
Non-technical result	<b>32</b>	73	-41	-56.2	
Operating result	<b>167</b>	109	58	53.2	
Result	<b>150</b>	-91	241	-	
<b>Shares</b>					
	<b>2013</b>	2012	Change		
			Absolute	%	
Earnings per share in €	<b>18.50</b>	17.94	0.56	3.1	
* Previous year's figures adjusted pursuant to IAS 8.					

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<b>Key figures (IFRS) for the Group in the fourth quarter of 2013*</b>						
(in €m unless otherwise indicated)						
		<b>4th quarter 2013</b>	4th quarter 2012	Change		
				Absolute	%	
Gross premiums written		<b>12,470</b>	12,931	-461	-3.6	
Net earned premiums		<b>12,360</b>	12,949	-589	-4.5	
Net expenses for claims and benefits		<b>9,812</b>	10,213	-401	-3.9	
Technical result		<b>1,031</b>	1,031	0	-	
Investment result		<b>1,995</b>	2,171	-176	-8.1	
Thereof	realised gains	<b>946</b>	417	529	126.9	
	realised losses	<b>616</b>	290	326	112.4	
Non-technical result		<b>245</b>	582	-337	-57.9	
Operating result		<b>1,276</b>	1,613	-337	-20.9	
Net finance costs		<b>-55</b>	-75	20	26.7	
Taxes on income		<b>-241</b>	351	-592	-	
Consolidated profit		<b>1,198</b>	477	721	151.2	
Thereof attributable to	Munich Re equity holders	<b>1,189</b>	473	716	151.4	
	minority interests	<b>9</b>	4	5	125.0	
<b>Reinsurance</b>						
		<b>4th quarter 2013</b>	4th quarter 2012	Change		
				Absolute	%	
Gross premiums written		<b>6,852</b>	6,996	-144	-2.1	
Technical result		<b>831</b>	1,065	-234	-22.0	
Non-technical result		<b>324</b>	340	-16	-4.7	
Operating result		<b>1,155</b>	1,405	-250	-17.8	
Result		<b>1,089</b>	725	364	50.2	
Thereof	<b>Reinsurance Life</b>		<b>4th quarter 2013</b>	4th quarter 2012	Change	
					Absolute	%
	Gross premiums written		<b>2,635</b>	2,939	-304	-10.3
	Technical result		<b>91</b>	50	41	82.0
	Non-technical result		<b>98</b>	155	-57	-36.8
	Operating result		<b>189</b>	205	-16	-7.8
	Result		<b>193</b>	106	87	82.1
	<b>Reinsurance Property-casualty</b>		<b>4th quarter 2013</b>	4th quarter 2012	Change	
					Absolute	%
	Gross premiums written		<b>4,217</b>	4,057	160	3.9
	Combined ratio in %		<b>89.3</b>	83.2	6.1	
	Technical result		<b>740</b>	1,015	-275	-27.1
	Non-technical result		<b>226</b>	185	41	22.2
	Operating result		<b>966</b>	1,200	-234	-19.5
	Result		<b>896</b>	619	277	44.7

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<b>Primary insurance</b>		<b>4th quarter 2013</b>	4th quarter 2012	Change	
				Absolute	%
Gross premiums written		<b>4,055</b>	4,260	-205	-4.8
Technical result		<b>182</b>	4	178	>1,000.0
Non-technical result		<b>-87</b>	222	-309	-
Operating result		<b>95</b>	226	-131	-58.0
Result		<b>73</b>	-89	162	-
<b>Thereof</b>					
	<b>Primary insurance Life</b>	<b>4th quarter 2013</b>	4th quarter 2012	Change	
				Absolute	%
	Gross premiums written	<b>1,553</b>	1,647	-94	-5.7
	Technical result	<b>10</b>	-87	97	-
	Non-technical result	<b>-70</b>	214	-284	-
	Operating result	<b>-60</b>	127	-187	-
	Result	<b>42</b>	-17	59	-
	<b>Primary insurance Health</b>	<b>4th quarter 2013</b>	4th quarter 2012	Change	
				Absolute	%
	Gross premiums written	<b>1,382</b>	1,428	-46	-3.2
	Technical result	<b>98</b>	99	-1	-1.0
	Non-technical result	<b>-35</b>	-19	-16	-84.2
	Operating result	<b>63</b>	80	-17	-21.3
	Result	<b>17</b>	11	6	54.5
	<b>Primary insurance Property-casualty</b>	<b>4th quarter 2013</b>	4th quarter 2012	Change	
			Absolute	%	
Gross premiums written	<b>1,120</b>	1,185	-65	-5.5	
Combined ratio in %	<b>97.5</b>	104.0	-6.5	-	
Technical result	<b>74</b>	-8	82	-	
Non-technical result	<b>18</b>	27	-9	-33.3	
Operating result	<b>92</b>	19	73	384.2	
Result	<b>14</b>	-83	97	-	
<b>Munich Health</b>		<b>4th quarter 2013</b>	4th quarter 2012	Change	
				Absolute	%
Gross premiums written		<b>1,563</b>	1,675	-112	-6.7
Combined ratio in %		<b>99.1</b>	102.9	-3.8	-
Technical result		<b>18</b>	-38	56	-
Non-technical result		<b>16</b>	16	0	-
Operating result		<b>34</b>	-22	56	-
Result		<b>56</b>	-155	211	-
<b>Shares</b>		<b>4th quarter 2013</b>	4th quarter 2012	Change	
				Absolute	%
Earnings per share in €		<b>6.65</b>	2.66	3.99	150.0
* Previous year's figures adjusted pursuant to IAS 8.					