

Munich, 15 March 2017

## Press release

### Munich Re announces further share buy-back – profit guidance of €2.0–2.4bn for 2017

Contact  
Media Relations Munich,  
Johanna Weber  
Tel.: +49 (89) 3891-2695  
Fax: +49 (89) 3891-72695  
jweber@munichre.com

**Münchener Rückversicherungs-  
Gesellschaft**  
Aktiengesellschaft in München  
Media Relations  
Königinstraße 107  
80802 München  
Germany  
Letters: 80791 München

www.munichre.com  
<http://twitter.com/munichre>

**Munich Re will continue its share buy-back programme: shares with a volume of €1bn are to be repurchased before the Annual General Meeting in 2018. For the current financial year 2017, Munich Re is aiming for a profit in the range of €2.0–2.4bn.**

Chairman of the Board of Management, Nikolaus von Bomhard, said: “With a profit of €2.6bn for 2016, we have clearly met our most recent forecast of ‘well over €2.3bn’. On the basis of this result, we are able to propose that this year’s Annual General Meeting raise the dividend to €8.60. Our dividend policy thus remains shareholder-friendly.” Munich Re also announced another share buy-back programme: it will repurchase up to €1bn in shares by the Annual General Meeting on 25 April 2018.

On the outlook for 2017, von Bomhard said: “For the financial year 2017, Munich Re is aiming for a profit in the range of €2.0–2.4bn in what is set to be a challenging environment.”

Looking at the current challenges, von Bomhard stated: “Digitalisation is changing client demand, allows for the development of innovative business models, and requires us to set up partnerships that would previously not have been considered. More than ever, Munich Re is a company embracing change – as demonstrated by our innovation schemes, the ERGO Strategy Programme, and the recent decision to adopt a new set-up in the global health markets. My successor as Chairman of the Board of Management, Joachim Wenning, will continue to drive this change forward.”

#### **Proposals for election to the Supervisory Board and change to the Board of Management**

At its meeting held yesterday, Munich Reinsurance Company’s Supervisory Board decided on its motions for submission to the Annual General Meeting on 26 April 2017.

The Supervisory Board recommends that the Annual General Meeting elect Renata Jungo Brüngger (55) as successor to Wolfgang Mayrhuber (69), who resigned his position on the Supervisory Board with effect from the end of 2016.

Jungo Brüngger is already a member of the Supervisory Board, as she was appointed as a member of the Supervisory Board by the Amtsgericht (Local Court) in Munich at the beginning of January 2017. Jungo Brüngger is recommended for election to the Supervisory Board for the remainder of Mayrhober's term of office, namely until the end of the Annual General Meeting in 2019.

The Supervisory Board also approved the Board of Management's recommendation to the Annual General Meeting with respect to the proposed dividend.

Following more than ten successful years at Munich Re, member of the Board of Management Ludger Arnoldussen is leaving the Company to seek new challenges. By mutual agreement, he will resign his position on the Board at Munich Re with effect from the end of 26 April 2017. The Board of Management and Supervisory Board of Munich Re would like to thank him for his great commitment and service to the Company, and wish him all the best for the future. Mr. Arnoldussen's successor will be Hermann Pohlchristoph (51), who has been with the Company since 2002 and is presently the CFO of the reinsurance field of business. Pohlchristoph is taking on responsibility for the "Germany, Asia Pacific and Africa Division" as well as the central divisions "Central Procurement" and "Services".

### **Summary of the figures for the 2016 financial year**

The Group achieved an operating result of €4,025m in 2016 (2015: €4,819m).

The lower technical result and the costs of the ERGO Strategy Programme were only partly offset by gratifying investment and currency translation results. Foreign exchange effects had a positive impact of €485m (previous year: negative impact of €213m) on the other non-operating result in 2016.

Equity increased by €819m in 2016 to €31,785m (31.12.2015: €30,966m). The return on risk-adjusted capital (RORAC) – which serves as the key performance indicator for profitability in terms of risk capital requirements – was 10.9% (11.5%), while the return on equity (RoE) amounted to 8.1% (10.0%). In the 2016 financial year, the Group's gross premiums written declined to €48,851m (50,374m), mainly because of reduced shares in large-volume treaties, the sale of ERGO Italia, and negative currency translation effects.

The solvency ratio calculated on the basis of Solvency II – which is determined using the internal model approved by the Federal Financial Supervisory Authority (BaFin) – was a very high 267% as at 31 December 2016 (31.12.2015: 302%). Taking into account the Solvency II transitional measures applied for by ERGO Leben and Victoria Leben, the ratio increases to 316%.

**Reinsurance: Good result of €2.5bn**

The reinsurance field of business contributed €2,484m (3,261m) to the consolidated result. The operating result was down by €1,296m to €2,846m. Gross premiums written declined to €27,827m (28,216m).

Life reinsurance business contributed €459m (345m) to the consolidated result. At €487m (335m), the technical result was well above the target of €400m. Claims experience was impacted by high expenditure for single mortality claims with high sums insured, but was nevertheless within the overall range of normal volatility. Various one-off effects also had an overall positive impact on the result.

Property and casualty reinsurance generated a result of €2,025m (2,915m) over the year as a whole. The combined ratio for 2016 amounted to 95.7% (89.7%) of net earned premiums. A customary review of reserves – adjusted for commissions – also resulted in a reduction in the provisions for claims from prior years of around €900m for the full year; this corresponds to around 5.5 percentage points of the combined ratio. Munich Re still aims to set the amount of provisions for newly emerging claims at the very top end of the estimation range, so that profits from the release of a portion of these reserves are possible at a later stage.

Total major-loss expenditure for 2016 amounted to €1,542m (1,046m). In terms of net earned premiums, major-loss expenditure amounted to 9.1% (6.2%), which was appreciably above the previous year, but still below the average expected figure of 12% for the full year. The cost of natural catastrophe losses for the full year was €929m (149m). At €404m, devastating forest fires in the Canadian province of Alberta in May 2016 were by far the biggest loss of the year for Munich Re. In November, an earthquake in New Zealand caused losses totalling around €251m. Matthew, the first Atlantic hurricane to reach the highest category 5 status in almost ten years, cost Munich Re €232m. Man-made major losses were below the level of the previous year, and totalled €613m (897m). This figure was marked by a variety of individual events, including fire, explosion, marine and liability losses.

Torsten Jeworrek, member of Munich Re's Board of Management, said: "Competition in reinsurance remains intense. Prices softened further in various markets during the January renewals, though to a much lesser extent than in the previous year. Munich Re was able to hold its own by means of skilful cycle management. It withdrew from business that no longer met profit expectations, but was able to expand on or write new profitable business. Overall, Munich Re was mostly able to retain the profitability of its renewed portfolio, and price erosion was only 0.5%. Customised, individual solutions and innovative business ideas allow Munich Re to successfully set itself apart from the competition."

**ERGO: Loss of €40m**

As anticipated, the ERGO field of business reported a loss of €40m in 2016 (previous year: loss of €227m). Despite restructuring expenses, the consolidated result improved – mostly because the previous year’s figure had been negatively impacted by impairment losses on goodwill. The investment result increased, which was mainly attributable to gains from interest-rate hedges and higher gains on disposals, especially of fixed-interest securities. Overall, this meant a higher operating result of €1,006m (598m).

Markus Rieß, the CEO of ERGO, commented: “For our company, 2016 was dominated by the ERGO Strategy Programme. We have made good progress in bringing ERGO back on track. As from 2021, ERGO will contribute around €600m to the consolidated result of Munich Re.” This slightly improved ambition takes account of the transfer of responsibility for health primary from Munich Health to ERGO International.

In 2016, gross premiums written declined to €16,034m (16,535m). Total premium income across all lines of business was down to €17,235m (17,867m). In the Life and Health Germany segment, gross premiums fell by 2.7% to €9,177m (9,426m). In the Property-casualty Germany segment, they improved slightly to €3,194m (3,162m). The International segment saw a fall to €3,664m (€3,947m).

The combined ratio for property-casualty primary insurance in Germany improved to 97.0% (97.9%) for the full year, and amounted to 99.0% (104.7%) for international business.

**Munich Health: Profit of €137m**

The Munich Health field of business posted a pleasing profit of €137m (88m) in 2016. The operating result climbed to €173m (80m). Improved results in health reinsurance derived mainly from the fact that high losses in the USA from the previous year were not repeated owing to the introduction of countermeasures. In other regions, there were also releases of reserves from previous years. In addition, there was an improvement in the result for primary insurance, especially at DKV Belgium and DKV Seguros in Spain.

Due to negative currency translation effects and the reduced share of a large-volume reinsurance treaty, gross premiums written by Munich Health declined by 11.3% to €4,990m (5,623m). In 2016, the combined ratio improved to 98.5% (99.9%).

**Investments: Investment result of €7,567m**

The Group's investment result (excluding insurance-related investments) remained largely stable at €7,567m (7,536m). Changes in the value of derivatives had a negative effect of €713m (–1,226m) for the year. On the other hand, the balance of gains and losses on disposals excluding derivatives was positive at €2,603m (2,693m). Considering the situation in the capital markets, this investment result represents a relatively high annualised return of 3.2%

(3.2%) in terms of the average market value of the portfolio. The reinvestment return was 1.8% (1.8%).

Munich Re's equity-backing ratio at 31 December 2016 rose to 5.0% (31 December 2015: 4.8%), including equity-linked derivatives. With a share of around 88% at market value, fixed-interest securities, loans and short-term fixed-interest investments continued to make up the largest portion of Munich Re's investments.

Chief Financial Officer, Jörg Schneider, commented on the investment result: "An investment return of 3.2% – the result of our balanced, prudent and long-term investment strategy – is most satisfactory in the current interest-rate environment."

As the Group's asset manager, MEAG's assets under management as at 31 December 2016 (excluding insurance-related investments) had a carrying amount of €219bn (215bn) and a market value of €236bn (231bn). As well as the Group's own investments, MEAG also managed segregated and retail funds totalling €19.2bn (14.1bn) for third parties.

#### **Outlook 2017: Group aims for profit of €2.0–2.4bn**

Munich Re is aiming for a consolidated result of €2.0–2.4bn in 2017, subject 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 tax parameters, or other exceptional factors.

The consolidated result in reinsurance is projected to be in the range of €1.8–2.2bn. In life and health reinsurance, the technical result – including the result from reinsurance treaties recognised in the non-technical result owing to insufficient risk transfer – should be at least €450m. In property-casualty reinsurance, Munich Re is aiming for a combined ratio of around 97% of net earned premiums in 2017, taking into account the relatively low incidence of major losses until the end of February. At the beginning of the year, Munich Re projects major losses in the order of around €2bn for 2017, corresponding to an unchanged 12% of net earned premiums.

Munich Re expects the ERGO field of business to contribute €150–200m to the consolidated result. The combined ratio for the ERGO Property-casualty Germany segment should be around 99% in 2017, provided that major losses remain within normal bounds. A combined ratio of around 98% is expected for the ERGO International segment if major losses are at a normal level.

On 1 February 2017, the Munich Health field of business was integrated into the two larger fields of business, reinsurance and ERGO. Thus the profit contribution of health reinsurance has been included in the profit target for reinsurance. Profits from international health primary insurance will be recognised under ERGO International.

Munich Re anticipates that interest rates will also remain very low overall in 2017, with correspondingly lower regular income from fixed-interest investments. Overall, Munich Re expects an investment result of around €7bn, representing a return on investments of about 3%.

Assuming exchange rates remain stable, the Group anticipates that its gross premiums written for the financial year 2017 will be in the range of €48–50bn. Gross premium should be in the range of €31–33bn for the reinsurance field of business, and €17–17.5bn for the ERGO field of business. Total premium income in the ERGO field of business (including the savings premiums of unit-linked life insurance and capitalisation products) should amount to €18–19bn in 2017.

Note for the editorial staff:  
For further questions please contact

Media Relations Munich  
Johanna Weber  
Tel.: +49 (89) 3891-2695

Media Relations Asia Pacific  
Nikola Kemper  
Tel.: +852 2536 6936  
Lillian Ng  
Tel.: +852 2536 6981

Media Relations North America  
Beate Monastiridis-Dörr  
Tel.: +1 (609) 235-8699  
Sharon Cooper  
Tel.: +1 (609) 243-8821

**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 2016, the Group – which combines primary insurance and reinsurance under one roof – achieved a profit of €2.6bn. It operates in all lines of insurance, with over 43,000 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 leading 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 2016, ERGO posted premium income of €16.0bn. Munich Re's global investments (excluding insurance-related investments) amounting to €219bn 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.

15 March 2017  
**Press release**  
Page 7/11

Munich, 15 March 2017

**Münchener Rückversicherungs-Gesellschaft**  
Aktiengesellschaft in München  
Media Relations  
Königinstraße 107  
80802 München  
Germany

15 March 2017  
 Press release  
 Page 8/11

<b>Key figures (IFRS) for the Group in the fourth quarter of 2016</b>					
(in €m unless otherwise indicated)					
		4th quarter 2016	4th quarter 2015	Change	
				Absolute	in %
Gross premiums written		12,070	12,388	-318	-2.6
Net earned premiums		12,084	12,142	-58	-0.5
Net expenses for claims and benefits		-9,733	-9,156	-576	-6.3
Technical result		525	1,322	-797	-60.3
Investment result		1,625	1,664	-38	-2.3
Thereof	Realised gains	958	742	215	29.0
	Realised losses	-178	-370	192	51.9
Insurance-related investment result		267	210	57	27.2
Non-technical result		297	105	192	182.5
Operating result		823	1,427	-604	-42.4
Net finance costs		-57	-60	3	4.8
Taxes on income		-137	-175	38	21.7
Consolidated profit		486	731	-245	-33.5
Thereof attributable to	Munich Reinsurance Company equity holders	491	728	-237	-32.5
	Minority interests	-5	3	-9	-
<b>Reinsurance</b>		4th quarter 2016	4th quarter 2015	Change	
				Absolute	in %
Gross premiums written		6,883	6,981	-98	-1.4
Technical result		386	1,335	-949	-71.1
Non-technical result		65	188	-123	-65.2
Operating result		452	1,523	-1,071	-70.3
Result		354	1,371	-1,017	-74.2
Thereof	<b>Reinsurance Life</b>	4th quarter 2016	4th quarter 2015	Change	
				Absolute	in %
	Gross premiums written	2,790	2,884	-94	-3.3
	Technical result	169	88	81	91.8
	Non-technical result	9	77	-69	-88.9
	Operating result	178	166	12	7.5
	Result	90	174	-84	-48.2
	<b>Reinsurance Property-casualty</b>	4th quarter 2016	4th quarter 2015	Change	
				Absolute	in %
	Gross premiums written	4,093	4,097	-4	-0.1
	Combined ratio in %	101.9	78.6	23.3	
	Technical result	217	1,247	-1,030	-82.6
	Non-technical result	57	111	-54	-48.6
	Operating result	274	1,358	-1,084	-79.8
	Result	264	1,197	-933	-78.0



15 March 2017  
 Press release  
 Page 9/11

<b>ERGO</b>		<b>4th quarter 2016</b>	4th quarter 2015	Change		
				Absolute	in %	
Gross premiums written		3,898	4,045	-147	-3.6	
Technical result		78	-5	83	-	
Non-technical result		210	-86	296	-	
Operating result		289	-90	379	-	
Result		71	-644	715	-	
Thereof	<b>ERGO Life and Health Germany</b>	<b>4th quarter 2016</b>	4th quarter 2015	Change		
				Absolute	in %	
	Gross premiums written		2,354	2,402	-48	-2.0
	Technical result		163	31	133	434.6
	Non-technical result		-74	-33	-42	-128.1
	Operating result		89	-2	91	-
	Result		95	-462	556	-
		<b>ERGO Property-casualty Germany</b>	<b>4th quarter 2016</b>	4th quarter 2015	Change	
					Absolute	in %
	Gross premiums written		628	633	-5	-0.8
	Combined ratio in %		100.0	103.9	-3.9	
	Technical result		15	-19	35	-
	Non-technical result		27	-9	36	-
	Operating result		42	-28	70	-
	Result		11	-19	30	-
		<b>ERGO International</b>	<b>4th quarter 2016</b>	4th quarter 2015	Change	
					Absolute	in %
	Gross premiums written		916	1,010	-94	-9.3
	Combined ratio in %		100.4	115.3	-14.9	
	Technical result		-100	-16	-84	-527.4
Non-technical result		258	-44	302	-	
Operating result		158	-60	218	-	
Result		-34	-163	128	78.9	
<b>Munich Health</b>		<b>4th quarter 2016</b>	4th quarter 2015	Change		
				Absolute	in %	
Gross premiums written		1,289	1,362	-74	-5.4	
Combined ratio in %		96.1	100.9	-4.8		
Technical result		60	-9	69	-	
Non-technical result		21	3	19	659.9	
Operating result		82	-6	88	-	
Result		61	5	56	>1,000.0	
<b>Shares</b>		<b>4th quarter 2016</b>	4th quarter 2015	Change		
				Absolute	in %	
Earnings per share in €		3.12	4.45	-1.33	-29.9	
* Previous year's figures adjusted pursuant to IAS 8.						

15 March 2017  
 Press release  
 Page 10/11

<b>Key figures (IFRS) for the Group in the 2016 financial year*</b>					
(in €m unless otherwise indicated)					
		2016	2015	Change	
				Absolute	in %
Gross premiums written		48,851	50,374	-1,523	-3.0
Net earned premiums		47,118	48,309	-1,191	-2.5
Net expenses for claims and benefits		-38,498	-38,731	233	0.6
Technical result		2,815	3,924	-1,109	-28.3
Investment result		7,567	7,536	31	0.4
Thereof	Realised gains	3,660	3,648	11	0.3
	Realised losses	-1,057	-955	-102	-10.7
Insurance-related investment result		326	140	186	132.6
Non-technical result		1,210	896	314	35.1
Operating result		4,025	4,819	-795	-16.5
Net finance costs		-219	-238	19	8.0
Taxes on income		-760	-476	-284	-59.8
Consolidated profit		2,581	3,122	-541	-17.3
Thereof attributable to	Munich Reinsurance Company equity holders	2,580	3,107	-527	-17.0
	Minority interests	1	15	-14	-96.4
		<b>31.12.2016</b>	31.12.2015		
Investments (incl. insurance-related investment result)		228,974	224,256	4,718	2.1
Equity capital		31,785	30,966	819	2.6
Staff		43,428	43,554	-126	-0.3
<b>Reinsurance</b>		2016	2015	Change	
				Absolute	in %
Gross premiums written		27,827	28,216	-389	-1.4
Technical result		2,346	3,452	-1,106	-32.0
Non-technical result		500	690	-190	-27.5
Operating result		2,846	4,142	-1,296	-31.3
Result		2,484	3,261	-777	-23.8
Thereof	<b>Reinsurance Life</b>	<b>2016</b>	2015	Change	
				Absolute	in %
	Gross premiums written	10,001	10,536	-535	-5.1
	Technical result	487	335	152	45.4
	Non-technical result	75	165	-90	-54.6
	Operating result	562	500	62	12.4
	Result	459	345	113	32.8
	<b>Reinsurance Property-casualty</b>	<b>2016</b>	2015	Change	
				Absolute	in %
	Gross premiums written	17,826	17,680	146	0.8
	Combined ratio in %	95.7	89.7	6.1	
	Technical result	1,859	3,116	-1,258	-40.4
	Non-technical result	425	525	-100	-19.0
	Operating result	2,284	3,641	-1,358	-37.3
	Result	2,025	2,915	-890	-30.5

15 March 2017  
 Press release  
 Page 11/11

<b>ERGO</b>		<b>2016</b>	2015	Change		
				Absolute	in %	
	Gross premiums written	16,034	16,535	-501	-3.0	
	Technical result	377	448	-71	-15.9	
	Non-technical result	629	150	479	319.0	
	Operating result	1,006	598	408	68.2	
	Result	-40	-227	188	82.6	
Thereof	<b>ERGO Life and Health Germany</b>	<b>2016</b>	2015	Change		
				Absolute	in %	
		Gross premiums written	9,177	9,426	-250	-2.7
		Technical result	370	293	77	26.4
		Non-technical result	257	18	239	>1,000.0
		Operating result	627	311	316	101.5
		Result	114	-329	443	--
		<b>ERGO Property-casualty Germany</b>	<b>2016</b>	2015	Change	
					Absolute	in %
		Gross premiums written	3,194	3,162	32	1.0
		Combined ratio in %	97.0	97.9	-0.9	
		Technical result	139	122	17	14.3
		Non-technical result	-11	97	-108	--
		Operating result	128	219	-91	-41.4
		Result	-72	214	-286	--
		<b>ERGO International</b>	<b>2016</b>	2015	Change	
					Absolute	in %
		Gross premiums written	3,664	3,947	-283	-7.2
		Combined ratio in %	99.0	104.7	-5.7	
		Technical result	-132	33	-166	--
	Non-technical result	383	35	348	996.8	
	Operating result	251	68	183	267.6	
	Result	-82	-112	31	27.3	
<b>Munich Health</b>		<b>2016</b>	2015	Change		
				Absolute	in %	
	Gross premiums written	4,990	5,623	-633	-11.3	
	Combined ratio in %	98.5	99.9	-1.4		
	Technical result	92	24	68	280.8	
	Non-technical result	81	56	25	44.9	
	Operating result	173	80	93	116.6	
	Result	137	88	48	54.8	
<b>Shares</b>		<b>2016</b>	2015	Change		
				Absolute	in %	
	Earnings per share in €	16.13	18.73	-2.60	-13.9	
* Previous year's figures adjusted pursuant to IAS 8.						