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Press release

Munich Re posts profit of €3.1bn for 2015 and raises dividend to €8.25

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Despite a difficult market environment, Munich Re posted a consolidated result of €3.1bn for 2015 – which almost matched the very good result of €3.2bn from the previous year. According to provisional calculations, in the fourth quarter the Group posted a profit of €0.7bn (previous year: €0.7bn). Shareholders are to participate in last year's success through a much higher dividend: subject to approval by the Supervisory Board and Annual General Meeting, the dividend will rise to €8.25 (7.75) per share.

CFO Jörg Schneider said: "Due to the fact that the market environment is so challenging, the 2015 result is pleasing. Even though we benefited from random effects in the form of a low impact from major losses, the good result is mainly due to our operational profitability and rock-solid balance sheet." The result includes various one-off factors that had a net positive effect. Schneider noted that despite low interest rates and increasing volatility in the financial markets, the investment result was again robust.

The low-interest-rate environment depresses regular income from investments, with the consequence that competition in reinsurance markets remains strong. "But the decision by the Federal Reserve to raise interest rates at the end of the year is an indication of a gradual change in interest-rate policies. Yet it will be a long time before the interest-rate environment returns to a relatively normal level, and one of the factors this depends on is geo-political developments," Schneider commented.

"The further strong increase in the dividend demonstrates our trust in the sustained earnings power of Munich Re," said Schneider. Munich Re also continued its share buy-back programme. As part of the programme running since the Annual General Meeting in April 2015, to date Munich Re has acquired shares amounting to around €800m; by the next Annual General Meeting on 27 April 2016, the total value should be €1bn.

Significant developments in the 2015 financial year

The following developments had an impact on the Group's assets and earnings in 2015, although they may be only partially reflected in the IFRS result:

- High volatility in the capital markets – particularly intense activity at asset manager MEAG
 - Interest rates at the end of 2015 at around the same level as at the end of 2014, but with somewhat higher risk spreads
 - Stock markets in the USA at the same level at the end of 2015 as in the previous year; in most other regions, they closed slightly higher
- Devaluation of the euro against most foreign currencies pertinent for Munich Re's business operations
- In reinsurance, low impact of major losses from natural catastrophes, high releases of reserves for basic losses from prior years
- Impact of one-off effects at ERGO and in Munich Health, including goodwill impairments
- Low tax charge due to adjustments for prior years

Summary of the preliminary figures for the 2015 financial year

In 2015, the Group generated extremely pleasing operating earnings of €4.8bn (4.0bn), of which €1.4bn (0.7bn) was attributable to the fourth quarter. Once again, there were negative foreign-exchange effects of –€0.2bn (–0.1bn) on the "other non-operating result" in 2015, with a positive effect of €0.1bn in the fourth quarter. As in previous years, the consolidated result for the Group was marked by various opposing effects. Changes in the value of derivative financial instruments, negative currency effects, along with goodwill impairments in the ERGO field of business had an overall adverse impact. This contrasted in particular with the very good result in property-casualty reinsurance. A comparatively low tax charge – due to adjustments for prior years – also had a positive effect. In 2015, equity increased by around €0.7bn to €31.0bn (31.12.2014: €30.3bn), with an increase of more than €0.9bn in the fourth quarter alone. The return on risk-adjusted capital (RORAC), which serves as the key performance indicator for the Group as a whole, was a pleasing 11.5% (13.2%), whilst the return on equity (RoE) amounted to 10.0% (11.3%). For the fourth quarter, Munich Re achieved an annualised RORAC of 10.8% (12.2%) and an RoE of 9.6% (9.8%). Gross premiums written by the Group increased in 2015 to €50.4bn (48.8bn), due to currency effects.

With a carrying amount of €215.1bn (market value of €230.5bn), total investments (excluding insurance-related investments) as at 31 December 2015 were down on the year-end 2014 figure of €218.9bn (market value of €235.8bn). The Group's investment result (excluding insurance-related investments) decreased to €7.5bn (8.0bn). Changes in the value of derivatives had an overall adverse impact of –€1.2bn for the year under review, and of –€0.2bn for the fourth quarter. Munich Re posted net write-downs of €0.8bn (0.2bn) on non-derivative investments during the year; in the fourth quarter net write-downs amounted to €0.1bn. The balance of gains and losses on disposals excluding derivatives, on the other hand, was positive at €2.7bn (fourth quarter: €0.4bn). Considering the situation in the capital markets, this investment result

represents a relatively high annualised return of 3.2% in relation to the average market value of the portfolio.

Reinsurance: Result of €3.3bn

The reinsurance field of business contributed a remarkable €3.3bn (2.9bn) to the consolidated result, with the operating result up by €0.9bn to €4.1bn. Gross premiums written climbed to €28.2bn (26.8bn). Changes in the value of the euro as against other currencies had a significant impact on premium growth (+5.4%).

Life reinsurance contributed €0.3bn (0.4bn) to the consolidated result. At €0.34bn (0.28bn), the technical result fell somewhat below the target of €0.4bn; the figure for the fourth quarter was €0.09bn (0.01bn). It was impacted by two mortality claims, for each of which Munich Re paid out an amount in the two-digit million euro range. In the USA and Australia, business largely developed as expected in 2015 after negative effects had impacted the result in the previous year.

Property-casualty reinsurance again accounted for an impressive share of the consolidated result for the full year, with a total of €2.9bn (2.5bn). The combined ratio for 2015 amounted to an excellent 89.7% (92.7%) of net earned premiums, and totalled only 78.6% (91.2%) for the fourth quarter. Claims notifications for basic losses remained noticeably below the expected level overall. Munich Re was able to release loss reserves in the amount of €1.4bn during the full year, corresponding to around 8.2 percentage points of the combined ratio. The figure for the fourth quarter was €0.9bn, corresponding to around 20.9 percentage points of the combined ratio. Munich Re also 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 2015 amounted to €1.0bn (1.2bn), of which €0.2bn (0.2bn) was attributable to the fourth quarter. Reserve strengthening was somewhat lower than run-off profits for major losses from previous years. In relation to net earned premiums, the major-loss burden of 6.2% (7.2%) for the full year was below the average expected figure of 12%, and amounted to 4.7% (6.1%) for the fourth quarter. Natural catastrophe losses impacted the full year with €149m (538m), while the figure for the fourth quarter was €0m (111m). Heavy rainfall in northern Chile, which caused considerable flooding, was the largest nat cat loss event of the year at €47m. A severe earthquake off the coast of Chile gave rise to expenditure of €45m. At €897m (625m), man-made major losses were up on the level of the previous year, which is equivalent to 5.3% (3.9%) of net earned premiums. The explosion at Tianjin harbour in China (€175m) and a dam failure in Brazil (€156m) were by far the largest individual losses of the year.

ERGO: Result of –€0.2bn

In 2015, the ERGO field of business generated a loss of €0.2bn (previous year: profit of €0.2bn). One of the factors contributing to this result was additional expenses of €452m from the revaluation of goodwill. The sale of the Italian

subsidiary ERGO Italia agreed in November also had a negative impact of €0.1bn on the result. At €0.6bn, the operating result remained stable year on year (€0.6bn), while gross premiums written fell to €16.5bn (16.7bn).

The combined ratio in property-casualty insurance in Germany was 97.9% (95.3%) for the full year, and amounted to 103.9% (97.1%) in the fourth quarter. Flooding caused by the low pressure systems Eva and Frank in the fourth quarter was the largest loss event of the year in German business. The combined ratio in property-casualty insurance for ERGO International was 104.7% (97.3%) for the full year, and amounted to 115.3% (96.8%) for the fourth quarter.

Munich Health: Result of €0.09bn

The Munich Health field of business contributed a profit of €0.09bn (0.11bn) to the consolidated result. At €0.08bn, the operating result was below the level of the previous year (€0.12bn). The somewhat weaker year-on-year result was largely due to higher claims expenditure in parts of health reinsurance business in the USA. Munich Health's premium income showed an increase of around 5% to €5.6bn (5.3bn), which was attributable to positive currency translation effects. The combined ratio for 2015 totalled 99.9% (98.8%).

Renewals of reinsurance treaties in property-casualty business at 1 January 2016

During the reinsurance treaty renewals at 1 January 2016, the market environment was nearly unchanged compared with the previous year. There was sufficient capacity in all classes of reinsurance business. Prices remained under pressure, but to a slightly lesser degree than in previous years. Treaty terms and conditions were largely unchanged, as was the demand for reinsurance cover.

Torsten Jeworrek, member of Munich Re's Board of Management, said: "We can be satisfied with the figures for the January renewals. Despite a continuing difficult market environment, Munich Re was able to seize attractive business opportunities. We are a preferred partner for clients that place value on sophisticated insurance solutions."

Jeworrek continued: "Our clients appreciate the value added that we offer them. In Europe and South America in particular, we were able to conclude some treaties individually, which meant that these transactions were only subject to the intensely competitive environment in standard business to a limited extent. For some clients, we developed bespoke capital-relief reinsurance solutions – such as where there were short-term capital requirements following an acquisition."

At 1 January 2016, slightly more than half of Munich Re's non-life reinsurance business was up for renewal, representing a premium volume of around €9.1bn. Of this, 11% (around €1.0bn) was not renewed. By contrast, Munich Re wrote new business with a volume of approximately €1.2bn. Altogether, the volume of

business written at 1 January grew slightly by 0.7% to around €9.2bn. Prices fell by around 1.0%.

Munich Re is proceeding on the assumption that the market environment will not change significantly in the subsequent renewal rounds in 2016, unless extraordinary loss events occur. The renewal date of 1 April is mainly for reinsurance treaties in Japan, whereas 1 July is the renewal date for the USA, Australia and Latin America.

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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 2014, the Group – which combines primary insurance and reinsurance under one roof – achieved a profit of €3.2bn on premium income of over €48bn. It operates in all lines of insurance, with over 43,000 employees throughout the world. With premium income of around €27bn 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 2014, 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 €227bn 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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Preliminary figures (IFRS) for the Group in the fourth quarter of 2015*

(in €bn unless otherwise indicated)

	4th quarter of 2015	4th quarter of 2014
Gross premiums written	12.4	12.0
Investment result	1.7	2.0
Operating result	1.4	0.7
Consolidated profit	0.7	0.7
Thereof attributable to		
Munich Reinsurance Company equity holders	0.7	0.7
Minority interests	0.0	0.0
Reinsurance	4th quarter of 2015	4th quarter of 2014
Gross premiums written	7.0	6.6
Combined ratio in %	78.6	91.2
Operating result	1.5	0.8
ERGO	4th quarter of 2015	4th quarter of 2014
Gross premiums written	4.0	4.1
Combined ratio for Germany in %	103.9	97.1
Combined ratio International in %	115.3	96.8
Operating result	-0.1	-0.2
Munich Health	4th quarter of 2015	4th quarter of 2014
Gross premiums written	1.4	1.3
Combined ratio in %	100.9	99.8
Operating result	0.0	0.0

* Previous year's figures adjusted owing to IAS 8.

Preliminary figures (IFRS) for the Group in 2015*

(in €bn unless otherwise indicated)

	2015	2014
Gross premiums written	50.4	48.8
Investment result	7.5	8.0
Operating result	4.8	4.0
Consolidated profit	3.1	3.2
Thereof attributable to		
Munich Reinsurance Company equity holders	3.1	3.2
Minority interests	0.0	0.0
	31.12.2015	31.12.2014
Investments	215.1	218.9
Equity capital	31.0	30.3
Reinsurance	2015	2014
Gross premiums written	28.2	26.8
Combined ratio in %	89.7	92.7
Operating result	4.1	3.3
Result	3.3	2.9
ERGO	2015	2014
Gross premiums written	16.5	16.7
Combined ratio for Germany in %	97.9	95.3
Combined ratio International in %	104.7	97.3
Operating result	0.6	0.6
Result	-0.2	0.2
Munich Health	2015	2014
Gross premiums written	5.6	5.3
Combined ratio in %	99.9	98.8
Operating result	0.1	0.1
Result	0.1	0.1

* Previous year's figures adjusted owing to IAS 8.