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## Press release

### Munich Re posts profit of €684m in third quarter – Profit guidance of well over €2.3bn for 2016

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**Munich Re posted a consolidated profit of €2.1bn for the first nine months of 2016 (same period last year: €2.4bn). In the third quarter, the Group realised a profit of €684m (525m). Following the gratifying result for the third quarter, the profit for the current year is expected to significantly exceed the previously projected amount of €2.3bn.**

CFO Jörg Schneider summed up the figures as follows: "Munich Re is well on track with this quarterly profit of almost €700m. We are now more optimistic about our profit guidance."

Concerning trends in reinsurance, Schneider said: "The environment continues to be challenging. If interest rates remain low, the scope for implementing additional reserve releases will play an even greater role in reinsurance business." However, the pressure on prices, terms and conditions has eased off slightly in recent renewal rounds. Munich Re is now anticipating clear trends towards stabilisation. "We continue to adhere to our strict underwriting discipline – as profit has always come before growth for us," Schneider stressed.

At the same time, Munich Re is also vigorously pursuing profitable growth opportunities in traditional reinsurance business that present themselves in emerging markets, for example. Schneider emphasised: "There is significant underinsurance for familiar risks such as natural hazards in those markets. Munich Re is well-positioned to provide financial capacity and expertise in this area."

In addition, Munich Re has launched innovation initiatives aimed at pushing back the boundaries of insurability. These include new insurance solutions for risks such as pandemics, or tailored concepts for the capital management of insurance companies. Schneider also pointed out the opportunities and risks of digitalisation. In this regard, Munich Re is partnering with InsureTech start-ups, which value Munich Re's input in particular because of its expertise as a risk manager and its global set-up. Digital Partners, a Munich Re unit with a global focus, has concluded joint ventures with companies like Slice, Trov, and simplesurance. In primary insurance, ERGO launched its new cyber-risk coverage concepts for small and medium-sized enterprises in October. This is

also a growth market that is being promoted by the Group with a great sense of commitment and the necessary risk discipline.

### **Summary of the figures for the third quarter 2016**

The operating result saw a significant year-on-year improvement to €1,014m (580m) in the third quarter, with Munich Re reporting a below-average random incidence of major losses in reinsurance. The other non-operating result was –€112m (–97m).

Despite share buybacks, equity increased to €32.4bn compared with the year-end figure for 2015. The annualised return on risk-adjusted capital (RORAC) amounted to 11.8% in the first nine months, and the annualised return on overall equity (RoE) totalled 8.8%.

Since the Annual General Meeting at the end of April, shares with a volume of around €537m have been repurchased as part of the share buy-back programme announced in March.

Gross premiums written fell by 1.1% to €12,344m (12,481m) in the third quarter. If exchange rates had remained the same, premium volume would have risen by 0.2% year on year.

### **Reinsurance: Result of €692m**

In reinsurance business, the operating result for the third quarter came to €870m (425m). The reinsurance field of business accounted for €692m (380m) of the consolidated result for the third quarter. Reinsurance contributed €2,130m (1,890m) to the consolidated result for the period from January to September.

The technical result in life reinsurance saw a very gratifying improvement in the third quarter, and exceeded expectations at €146m (114m). Claims expenditure was lower than anticipated, and there was an absence of major losses.

Property-casualty reinsurance accounted for €558m (332m) of the result for the third quarter. This was significantly influenced by a below-average random incidence of major losses. The combined ratio totalled 92.5% (94.5%) of net earned premiums; the figure for the first nine months was 93.7% (93.4%). As claims notifications for "basic losses" from prior years remained appreciably below the expected level overall, Munich Re was able to release reserves totalling around €210m in the third quarter, which was equivalent to 5.0 percentage points of net earned premiums in the third quarter. For the first nine months, Munich Re thus released reserves totalling around €690m, or approximately 5.4% of net earned premiums. Munich Re also still seeks 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.

Overall major-loss expenditure totalled €277m (386m) in the third quarter, and €920m (847m) for the period from January to September. Natural catastrophe losses in the third quarter amounted to €145m (62m) and man-made major

losses to €132m (324m), representing 3.4% (natural catastrophes) and 3.1% (man-made losses) of net earned premiums respectively. The highest natural catastrophe losses in the third quarter resulted from severe flooding in Louisiana in August, for which Munich Re anticipates net expenditure of around €60m. The largest man-made loss in the third quarter was a fire loss, for which Munich Re projects net expenditure of €60m.

Gross premiums written in the reinsurance field of business climbed by 1.9% year on year to €7,252m (7,118m) in the months July to September. If exchange rates had remained the same, premium volume would have increased by 3.8%. Gross premiums written in the life reinsurance segment rose by 3.9% to €2,636m (2,537m) in the third quarter, despite a large-volume treaty that was renewed at a reduced volume in 2016. Premiums in property-casualty reinsurance showed a total increase of 0.8% to €4,616m (4,581m). Even if exchange rates had remained the same, premium volume in this reinsurance segment would have increased.

**ERGO: Result of –€52m**

The operating result for the ERGO field of business fell to €80m (113m) in the period July to September. The consolidated result for the third quarter declined to –€52m (100m). For the period from January to September, ERGO generated a loss of €111m (417m), including restructuring expenses of around €400m gross (around €160m net) for the ERGO Strategy Programme. These expenses were booked in the second quarter.

The combined ratio in the property-casualty Germany segment amounted to 96.1% (96.1%) for the third quarter; in the International segment, the figure improved to 98.6% (104.1%).

Total premium income across all lines of business decreased by 4.2% to €4,083m (4,262m) in the third quarter, and gross premiums written fell by 3.1% to €3,849m (3,970m) in the same period. In the Life and Health Germany segment, gross premiums remained almost unchanged at €2,302m (2,297m), whilst in the Property-casualty Germany segment they remained at a similar level to the previous year at €700m (698m). In the ERGO International segment, gross premiums dropped by 13.2% to €846m (975m); a consequence of the sale of ERGO Italia and a lower volume of life insurance business in Poland.

The ERGO Strategy Programme, which was introduced in June, is progressing well. Markus Rieß, who is ERGO's CEO and a member of the Board of Management of Munich Re, commented as follows: "We still have a lot of hard work ahead of us in getting ERGO fit for the future. But we are experiencing a sense of being on the move at ERGO, and we are making rapid progress." ERGO is currently drafting a strategy for its international business. Rieß stressed: "We are not only leveraging the opportunities of a successful future for ERGO in our domestic market of Germany, we are also looking for profitable growth, especially in international business."

**Munich Health: Profit of €44m**

Munich Health's operating result climbed to €64m (41m) in the third quarter; the consolidated result amounted to €44m (45m). For the period from January to September, Munich Health contributed a consolidated result of €76m (84m).

The combined ratio amounted to 96.4% (98.5%) for July to September, and to 99.3% (99.6%) for the first nine months.

Gross premiums written fell by 10.8% to €1,243m (1,393m) in the third quarter. As in previous quarters, the decline was attributable above all to the reduction of Munich Re's share in a large-volume treaty in North America.

**Investments: Investment result of €1.6bn**

With a carrying amount of €241.8bn, total investments (excluding insurance-related investments) as at 30 September 2016 were up on the year-end 2015 figure of €230.5bn.

For the period from July to September 2016, the Group's investment result (excluding insurance-related investments) improved year on year by 5.7% to €1,619m (1,532m). Changes in the value of derivatives had an adverse impact of €446m, mainly on account of equity derivatives. The balance of gains and losses on disposals excluding derivatives came to €696m. The investment result represents an overall return of 2.7%.

Munich Re's equity-backing ratio (including equity-linked derivatives) at 30 September 2016 fell marginally to 4.4% (31 December 2015: 4.8%). Fixed-interest securities, loans and short-term fixed-interest investments continued to make up the largest portion of Munich Re's holdings, with a share of around 89% at market value.

CFO Jörg Schneider commented as follows on the investment result: "Although volatility in the capital markets eased off somewhat in the third quarter, our investment strategy remains geared to being as well prepared as possible for many different scenarios, given the many existing hotspots. In view of the low-interest-rate environment, we are very satisfied with the 3.4% return on our investments for the first nine months of the year."

The Group's asset manager is MEAG, whose assets under management as at 30 September 2016 included not only Group investments, but also third-party investments totalling €18.7bn (14.1bn).

**Outlook 2016: Group profit guidance of €2.3bn likely to be exceeded significantly**

Owing to the good results posted in the second and third quarters, Munich Re expects a consolidated result for the full year that will be significantly higher than the €2.3bn projected in May. Whether and to what extent this is the case will, as usual, depend above all on the development of major losses, the capital markets and exchange rates. These expectations already take into account losses caused by Hurricane Matthew, for which Munich Re has based its estimates on

very preliminary figures, and anticipates net expenditure in the low triple-digit million euro range.

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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 2015, the Group – which combines primary insurance and reinsurance under one roof – achieved a profit of €3.1bn on premium income of over €50bn. It operates in all lines of insurance, with more than 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. Munich Re's primary insurance operations are concentrated in ERGO, one of the leading insurance groups in Germany and Europe. It is represented in over 30 countries worldwide and offers a comprehensive range of insurances, provision products and services. In 2015, ERGO posted premium income of €17.9bn. 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 (excluding insurance-related investments) amounting to €215bn 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.

Munich, 09 November 2016

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<b>Key figures (IFRS) for the Group in the third quarter of 2016*</b>						
(in €m unless otherwise indicated)						
		<b>3rd quarter 2016</b>	<b>3rd quarter 2015</b>	<b>Change</b>		
				<b>Absolute</b>	<b>in %</b>	
Gross premiums written		12,344	12,481	-138	-1.1	
Net earned premiums		11,884	11,956	-72	-0.6	
Net expenses for claims and benefits		-9,726	-9,677	-49	-0.5	
Technical result		816	822	-5	-0.7	
Investment result		1,619	1,532	87	5.7	
Thereof	Realised gains	763	721	42	5.8	
	Realised losses	-67	-206	138	67.0	
Insurance-related investment result		237	-322	559	-	
Non-technical result		198	-242	440	-	
Operating result		1,014	580	435	75.0	
Net finance costs		-54	-58	4	7.7	
Taxes on income		-164	101	-265	-	
Consolidated profit		684	525	159	30.3	
Thereof attributable to	Munich Reinsurance Company equity holders	685	520	165	31.8	
	Minority interests	-1	5	-6	-	
<b>Reinsurance</b>						
		<b>3rd quarter 2016</b>	<b>3rd quarter 2015</b>	<b>Change</b>		
				<b>Absolute</b>	<b>in %</b>	
Gross premiums written		7,252	7,118	134	1.9	
Technical result		743	686	57	8.3	
Non-technical result		128	-260	388	-	
Operating result		870	425	445	104.7	
Result		692	380	312	82.0	
Thereof	<b>Reinsurance – Life</b>		<b>3rd quarter 2016</b>	<b>3rd quarter 2015</b>	<b>Change</b>	
					<b>Absolute</b>	<b>in %</b>
	Gross premiums written		2,636	2,537	99	3.9
	Technical result		146	114	32	28.0
	Non-technical result		20	-51	71	-
	Operating result		165	63	103	164.3
	Result		134	48	86	176.8
	<b>Reinsurance property-casualty</b>		<b>3rd quarter 2016</b>	<b>3rd quarter 2015</b>	<b>Change</b>	
					<b>Absolute</b>	<b>in %</b>
	Gross premiums written		4,616	4,581	35	0.8
	Combined ratio in %		92.5	94.5	-2.0	
	Technical result		597	572	25	4.4
	Non-technical result		108	-209	317	-
	Operating result		705	363	342	94.4
	Result		558	332	226	68.2

09 November 2016  
 Press release  
 Page 7/9

<b>ERGO</b>		<b>3rd quarter 2016</b>	3rd quarter 2015	Change		
				Absolute	in %	
Gross premiums written		3,849	3,970	-121	-3.1	
Technical result		22	101	-80	-78.6	
Non-technical result		58	12	47	405.9	
Operating result		80	113	-33	-29.1	
Result		-52	100	-152	-	
Thereof	<b>ERGO Life and Health Germany</b>	<b>3rd quarter 2016</b>	3rd quarter 2015	Change		
				Absolute	in %	
	Gross premiums written		2,302	2,297	5	0.2
	Technical result		5	52	-46	-90.0
	Non-technical result		10	31	-21	-68.9
	Operating result		15	82	-67	-82.1
	Result		-49	27	-77	-
		<b>ERGO Property-casualty Germany</b>	<b>3rd quarter 2016</b>	3rd quarter 2015	Change	
					Absolute	in %
	Gross premiums written		700	698	3	0.4
	Combined ratio in %		96.1	96.1	0.0	
	Technical result		40	46	-6	-12.7
	Non-technical result		8	-53	61	-
	Operating result		48	-7	56	-
	Result		10	48	-38	-79.7
		<b>ERGO International</b>	<b>3rd quarter 2016</b>	3rd quarter 2015	Change	
					Absolute	in %
	Gross premiums written		846	975	-129	-13.2
	Combined ratio in %		98.6	104.1	-5.5	
	Technical result		-23	4	-28	-
	Non-technical result		41	34	6	19.0
	Operating result		17	38	-21	-55.1
	Result		-12	25	-37	-
	<b>Munich Health</b>		<b>3rd quarter 2016</b>	3rd quarter 2015	Change	
					Absolute	in %
	Gross premiums written		1,243	1,393	-150	-10.8
	Combined ratio in %		96.4	98.5	-2.1	
Technical result		52	35	17	50.1	
Non-technical result		12	7	5	73.9	
Operating result		64	41	22	54.0	
Result		44	45	-1	-1.5	
<b>Shares</b>		<b>3rd quarter 2016</b>	3rd quarter 2015	Change		
				Absolute	in %	
Earnings per share in €		4.30	3.14	1.16	36.9	
* Previous year's figures adjusted pursuant to IAS 8.						

<b>Key figures (IFRS) for the Group in the first nine months of 2016*</b> (in €m unless otherwise indicated)					
		<b>Q1-Q3 2016</b>	<b>Q1-Q3 2015</b>	<b>Change</b>	
				Absolute	in %
Gross premiums written		36,782	37,986	-1,204	-3.2
Net earned premiums		35,034	36,167	-1,133	-3.1
Net expenses for claims and benefits		-28,765	-29,574	809	2.7
Technical result		2,290	2,602	-312	-12.0
Investment result		5,942	5,872	69	1.2
Thereof	Realised gains	2,702	2,906	-204	-7.0
	Realised losses	-879	-585	-294	-50.3
Insurance-related investment result		60	-69	129	-
Non-technical result		912	790	122	15.4
Operating result		3,202	3,392	-190	-5.6
Net finance costs		-162	-178	16	9.1
Taxes on income		-623	-301	-322	-107.2
Consolidated profit		2,095	2,391	-296	-12.4
Thereof attributable to	Munich Reinsurance Company equity holders	2,089	2,379	-290	-12.2
	Minority interests	6	11	-6	-49.7
		<b>30.9.2016</b>	<b>31.12.2015</b>	<b>Change</b>	
				Absolute	In %
Investments		231,546	224,256	7,290	3.3
Equity capital		32,355	30,966	1,389	4.5
Staff		43,880	43,078	326	0.7
		<b>Q1-Q3 2016</b>	<b>Q1-Q3 2015</b>	<b>Change</b>	
				Absolute	in %
<b>Reinsurance</b>					
Gross premiums written		20,945	21,236	-291	-1.4
Technical result		1,960	2,116	-157	-7.4
Non-technical result		434	502	-67	-13.4
Operating result		2,394	2,618	-224	-8.6
Result		2,130	1,890	240	12.7
Thereof	<b>Reinsurance – Life</b>	<b>Q1-Q3 2016</b>	<b>Q1-Q3 2015</b>	<b>Change</b>	
				Absolute	in %
	Gross premiums written	7,212	7,653	-441	-5.8
	Technical result	318	247	71	28.8
	Non-technical result	66	88	-21	-24.5
	Operating result	384	335	50	14.8
	Result	369	172	197	114.8
	<b>Reinsurance property-casualty</b>	<b>Q1-Q3 2016</b>	<b>Q1-Q3 2015</b>	<b>Change</b>	
				Absolute	in %
	Gross premiums written	13,733	13,583	150	1.1
	Combined ratio in %	93.7	93.4	0.3	
	Technical result	1,642	1,870	-228	-12.2
	Non-technical result	368	414	-46	-11.1
	Operating result	2,010	2,284	-274	-12.0
	Result	1,761	1,718	43	2.5



09 November 2016  
 Press release  
 Page 9/9

<b>ERGO</b>		<b>Q1-Q3 2016</b>	Q1-Q3 2015	Change	
				Absolute	in %
Gross premiums written		12,136	12,490	-354	-2.8
Technical result		298	453	-154	-34.1
Non-technical result		419	236	183	77.6
Operating result		717	688	29	4.2
Result		-111	417	-528	-
<b>Thereof</b>					
<b>ERGO Life and Health Germany</b>		<b>Q1-Q3 2016</b>	Q1-Q3 2015	Change	
				Absolute	in %
Gross premiums written		6,823	7,025	-202	-2.9
Technical result		207	263	-55	-21.1
Non-technical result		331	51	280	551.2
Operating result		539	313	225	71.8
Result		19	133	-113	-85.5
<b>ERGO Property-casualty Germany</b>		<b>Q1-Q3 2016</b>	Q1-Q3 2015	Change	
				Absolute	in %
Gross premiums written		2,566	2,529	36	1.4
Combined ratio in %		96.0	95.8	0.1	
Technical result		124	141	-17	-12.2
Non-technical result		-37	106	-144	-
Operating result		86	247	-161	-65.1
Result		-83	234	-317	-
<b>ERGO International</b>		<b>Q1-Q3 2016</b>	Q1-Q3 2015	Change	
				Absolute	in %
Gross premiums written		2,747	2,936	-189	-6.4
Combined ratio in %		98.5	101.1	-2.6	
Technical result		-33	49	-82	-
Non-technical result		125	79	46	58.6
Operating result		92	128	-36	-27.8
Result		-47	50	-98	-
<b>Munich Health</b>					
		<b>Q1-Q3 2016</b>	Q1-Q3 2015	Change	
				Absolute	in %
Gross premiums written		3,701	4,260	-559	-13.1
Combined ratio in %		99.3	99.6	-0.2	
Technical result		32	33	-1	-2.2
Non-technical result		59	53	6	11.9
Operating result		91	86	6	6.5
Result		76	84	-8	-9.4
<b>Shares</b>					
		<b>Q1-Q3 2016</b>	Q1-Q3 2015	Change	
				Absolute	in %
Earnings per share in €		12.99	14.28	-1.29	-9.0
* Previous year's figures adjusted pursuant to IAS 8.					