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**Press release**

## **Munich Re raises profit guidance for 2015 to at least €3bn, with €1.1bn profit in second quarter**

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**Munich Re posted a consolidated profit of €1,076m for the second quarter of 2015 (same period last year: €762m); the profit for the first half-year amounted to €1,866m (1,703m). The quarterly result was supported by a below-average random incidence of major losses, and a very good investment result. For the current financial year, Munich Re is now aiming for a profit of at least €3bn (previous forecast: €2.5–3bn).**

CEO Nikolaus von Bomhard said about the figures: "With a result of around €1.1bn, Munich Re looks back on a very successful second quarter. Despite a persistently uncertain environment, including ongoing competition in reinsurance, the profitability of our core business remains remarkable. After all, our profit of around €1.9bn in the first half of the year was so high that we are likely to exceed our profit guidance of €2.5–3bn for the year if claims experience remains within normal bounds in the second half of the year. We now expect to achieve an annual profit of at least €3bn." He continued: "In order to make sure we retain our competitiveness and profitability in the future, we will increase our efforts to make the most of the opportunities offered by digitalisation, and to open up new business potential by designing innovative solutions."

### **Summary of figures for the second quarter**

In the second quarter, the operating result of €1,818m was well above the figure for the same quarter last year (€1,137m). The amount posted under "other non-operating result" showed a decrease of €207m to –€432m (–225m), mainly due to foreign-exchange effects. Taxes on income totalled €250m (92m). Despite the dividend payment of over €1.29bn in the second quarter, shareholders' equity was at a level similar to that at the end of 2014; the strong increase in the first quarter, and the steep decline in the second quarter were mainly due to developments in market interest rates.

The annualised return on risk-adjusted capital (RORAC) in the first six months amounted to 13.8%, and the return on overall equity (RoE) totalled 11.7%. Since the Annual General Meeting at the end of April, shares with a volume of around €156m have been repurchased as part of the share buy-back programme announced in March.

Gross premiums written increased in the second quarter by 5.2% to €12.5bn (11.9bn). If exchange rates had remained the same, premium volume would have fallen by 4.7% year on year.

#### **Reinsurance: Result of €842m in second quarter**

In reinsurance business, the operating result for the second quarter came to €1,435m (845m). The business field of reinsurance accounted for €842m (629m) of the Group consolidated result for the second quarter. In the period from January to June, reinsurance contributed €1,510m (1,397m) to the consolidated result.

The technical result in life reinsurance of €30m (95m) for the second quarter was lower than expected given a series of unconnected one-off effects. By contrast, claims experience in US mortality business and Australian disability business was in line with projections.

Property-casualty reinsurance accounted for €790m (505m) of the result for the second quarter. The combined ratio for April to June totalled 93.3% (101.4%) of net earned premiums; the figure for the half-year was 92.8% (94.1%). As claims notifications for "basic losses" from prior years remained appreciably below the expected level overall, in the second quarter Munich Re was able to release reserves in the amount of around €135m, corresponding to around 3.1 percentage points of the combined ratio for the second quarter. For the first half-year, Munich Re thus released reserves totalling around €300m, or approximately 3.6% of net earned premiums. Munich Re is also continuing to aim to set the amount of provisions for newly emerging claims at the 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 loss expenditure for major losses totalled €207m (617m) in the second quarter, and €462m (656m) for the first six months of the year. Natural catastrophe losses in the second quarter amounted to €21m (291m) and man-made major losses to €186m (326m), representing 0.5% (nat cat losses) and 4.3% (man-made losses) of net earned premiums respectively. Heavy rainfall in northern Chile caused considerable flooding, for which Munich Re anticipates expenditure of €45m. The largest man-made loss in the second quarter was €50m from a fire at a warehouse in South Korea.

Gross premiums written in the reinsurance business field increased by 8.3% year on year to €7.1bn (6.6bn) in the period from April to June. If exchange rates had remained the same, premium volume would have fallen by 5.7%. In the life reinsurance segment, gross premiums written increased in the second quarter by 9.6% to €2,704m (2,467m), while premiums in property-casualty reinsurance showed a total increase of 7.5% to €4,404m (4,097m). If exchange rates had remained the same, premium volume in both reinsurance segments would have declined.

The renewals as at 1 July 2015 involved a volume of treaty business of approximately €2.3bn, mainly from the USA, Australia, Latin America, and global

clients. Pressure on prices, terms and conditions remained high, in particular for natural catastrophe covers, which accounted for about 20% of these renewals. The decline amounted to 2.1% (previous year's renewals as at 1 July 2014: -3.6%); this could be the first indication of a stabilisation in prices. Premium volume remained almost constant, as Munich Re was able to take advantage of selective opportunities in individual markets, but gave up some business in other areas due to pricing pressures. Torsten Jeworrek, Member of Munich Re's Board of Management, said: "Thanks to our strict cycle management, our portfolio remains profitable even after the price falls in recent renewal rounds."

**ERGO: Result of €219m in second quarter**

The operating result for the ERGO field of business from April to June increased to €361m (257m), while the consolidated result for the second quarter climbed to €219m (111m). ERGO generated a result of €318m (264m) for the period from January to June.

The combined ratio in the Property-casualty Germany segment improved in the second quarter to 93.4% (95.3%); it deteriorated in the ERGO International segment to 100.4% (97.5%).

Total premium income across all lines of business decreased by 3.6% in the second quarter and totalled €4,297m (4,458m), while gross premiums written decreased by 2.9% to €3,935m (4,053m) in the same period. In the Life and Health Germany segment, gross premiums decreased by 4.9% to €2,315m (2,434m), and in the Property-casualty Germany segment they were slightly below the previous year at €638m (648m). In the ERGO International segment, gross premiums increased slightly by 1.1% to €982m (971m).

ERGO CEO Torsten Oletzky commented: "Our half-year results were very good, even if they cannot simply be projected for the year as a whole. I am sure that we will easily meet our results guidance for 2015, provided that we continue to implement our rigorous profit-oriented business policy."

**Munich Health: Result of €15m in second quarter**

Munich Health's operating result in the second quarter was €22m (35m); the consolidated result was €15m (22m). Munich Health generated a result of €38m (42m) for the period from January to June.

The combined ratio was 99.8% (98.8%) for April to June, and 100.1% (99.3%) for the first half-year.

Munich Health's gross premiums written showed a year-on-year increase of 14.9% to €1,424m (1,239m) in the second quarter due to positive exchange-rate impacts.

**Investments: Investment result of €2.5bn in second quarter**

With a carrying amount of €236.2bn, total investments (excluding insurance-related investments) as at 30 June 2015 were almost unchanged from the year-end 2014 figure of €235.8bn.

For the period April to June 2015, the Group's investment result (excluding insurance-related investments) showed a year-on-year improvement of 6.5% to €2.5bn (2.4bn). Changes in the value of derivatives had a negative effect of –€133m for the second quarter, which was significantly less negative than in the first quarter of the year (–€706m). The rise in interest rates in the second quarter had a negative impact on interest-rate hedging instruments, whilst equity-based derivatives increased in value due to changes in share prices. The balance of gains and losses on disposals excluding derivatives was around €810m. The investment result represents an overall annualised return of 4.1%.

Munich Re's equity-backing ratio at 30 June 2015 fell to 4.0% (31 December 2014: 4.3%) including equity-linked derivatives. 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 around 88% at market value.

The Group's asset manager is MEAG, whose assets under management as at 30 June 2015 included not only Group investments, but also segregated and retail funds totalling €14.3bn (13.9bn).

**Outlook for 2015: new Group profit guidance of at least €3bn**

In the first six months of the year, some reporting segments saw results that varied from forecasts, which also have an impact on the annual results – for example, inherent random fluctuations in the incidence of major losses, or the investment result. Munich Re is amending its forecast as follows with respect to the figures stated in the first quarter report published in May 2015.

In property-casualty reinsurance, Munich Re is aiming for a combined ratio of around 96% of net earned premiums in 2015. The consolidated result in reinsurance for 2015 should be at least €2.5bn (previously: at least €2bn).

ERGO is expected to achieve a combined ratio for property-casualty insurance of 95% (previously 93%) in Germany, and 99% (previously 97%) internationally.

After the first half-year was below expectations for life reinsurance business, Munich Re now anticipates a technical result of around €300–350m. We expect the technical result for future financial years to once again be in the region of €400m.

Munich Re now anticipates a return on investment of around 3.3% (previously: at least 3%).

Munich Re is aiming for a consolidated result of at least €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. This means the Group would exceed its previously stated profit range of €2.5–3.0bn.

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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.

Munich, 06 August 2015

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<b>Key figures (IFRS) for the Group in the second quarter of 2015*</b> (in €m unless otherwise indicated)						
		<b>2nd quarter 2015</b>	2nd quarter 2014	Change		
				Absolute	in %	
Gross premiums written		12,467	11,856	611	5.2	
Net earned premiums		12,351	11,705	646	5.5	
Net expenses for claims and benefits		-9,701	-10,143	442	4.4	
Technical result		868	456	412	90.4	
Investment result		2,521	2,368	153	6.5	
Thereof	Realised gains	1,651	1,033	617	59.8	
	Realised losses	-775	-566	-209	-36.9	
Insurance-related investment result		-326	199	-525	-	
Non-technical result		950	681	269	39.5	
Operating result		1,818	1,137	681	59.9	
Net finance costs		-60	-58	-2	-3.4	
Taxes on income		-250	-92	-158	-171.7	
Consolidated profit		1,076	762	314	41.2	
Thereof attributable to	Munich Reinsurance Company equity holders	1,070	758	312	41.2	
	Minority interests	6	4	2	50.0	
<b>Reinsurance</b>						
		<b>2nd quarter 2015</b>	2nd quarter 2014	Change		
				Absolute	in %	
Gross premiums written		7,108	6,564	544	8.3	
Technical result		669	333	336	100.9	
Non-technical result		766	512	254	49.6	
Operating result		1,435	845	590	69.8	
Result		842	629	213	33.9	
Thereof	<b>Reinsurance – Life</b>		<b>2nd quarter 2015</b>	2nd quarter 2014	Change	
					Absolute	in %
	Gross premiums written		2,704	2,467	237	9.6
	Technical result		30	95	-65	-68.4
	Non-technical result		159	94	65	69.1
	Operating result		189	189	-	-
	Result		52	124	-72	-58.1
	<b>Reinsurance – Property-casualty</b>		<b>2nd quarter 2015</b>	2nd quarter 2014	Change	
					Absolute	in %
	Gross premiums written		4,404	4,097	307	7.5
	Combined ratio in %		93.3	101.4	-8.1	
	Technical result		639	238	401	168.5
	Non-technical result		607	418	189	45.2
	Operating result		1,246	656	590	89.9
Result		790	505	285	56.4	

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<b>ERGO</b>		<b>2nd quarter 2015</b>	2nd quarter 2014	Change	
				Absolute	in %
Gross premiums written		3,935	4,053	-118	-2.9
Technical result		195	99	96	97.0
Non-technical result		166	158	8	5.1
Operating result		361	257	104	40.5
Result		219	111	108	97.3
<b>Thereof</b>					
<b>ERGO Life and Health Germany</b>		<b>2nd quarter 2015</b>	2nd quarter 2014	Change	
				Absolute	in %
Gross premiums written		2,315	2,434	-119	-4.9
Technical result		123	46	77	167.4
Non-technical result		-8	67	-75	-
Operating result		115	113	2	1.8
Result		54	39	15	38.5
<b>ERGO Property-casualty Germany</b>		<b>2nd quarter 2015</b>	2nd quarter 2014	Change	
				Absolute	in %
Gross premiums written		638	648	-10	-1.5
Combined ratio in %		93.4	95.3	-1.9	
Technical result		68	55	13	23.6
Non-technical result		123	43	80	186.0
Operating result		191	98	93	94.9
Result		150	58	92	158.6
<b>ERGO International</b>		<b>2nd quarter 2015</b>	2nd quarter 2014	Change	
				Absolute	in %
Gross premiums written		982	971	11	1.1
Combined ratio in %		100.4	97.5	2.9	
Technical result		4	-2	6	-
Non-technical result		51	48	3	6.3
Operating result		55	46	9	19.6
Result		15	14	1	7.1
<b>Munich Health</b>					
		<b>2nd quarter 2015</b>	2nd quarter 2014	Change	
				Absolute	in %
Gross premiums written		1,424	1,239	185	14.9
Combined ratio in %		99.8	98.8	1.0	
Technical result		4	24	-20	-83.3
Non-technical result		18	11	7	63.6
Operating result		22	35	-13	-37.1
Result		15	22	-7	-31.8
<b>Shares</b>					
		<b>2nd quarter 2015</b>	2nd quarter 2014	Change	
				Absolute	in %
Earnings per share in €		6.42	4.39	2.03	46.2
* Previous year's figures adjusted owing to IAS 8.					

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<b>Key figures (IFRS) for the Group in the half-year 2015*</b> (in €m unless otherwise indicated)					
		<b>Q1–Q2 2015</b>	Q1–Q2 2014	Change	
				Absolute	in %
Gross premiums written		25,505	24,780	725	2.9
Net earned premiums		24,211	23,600	611	2.6
Net expenses for claims and benefits		-19,897	-20,114	217	1.1
Technical result		1,780	1,673	107	6.4
Investment result		4,341	4,360	-19	-0.4
Thereof	Realised gains	3,184	1,905	1,279	67.1
	Realised losses	-2,027	-923	-1,104	-119.6
Insurance-related investment result		253	277	-24	-8.7
Non-technical result		1,033	791	242	30.6
Operating result		2,813	2,464	349	14.2
Net finance costs		-120	-114	-6	-5.3
Taxes on income		-401	-307	-94	-30.6
Consolidated profit		1,866	1,703	163	9.6
Thereof attributable to	Munich Reinsurance Company equity holders	1,860	1,694	166	9.8
	Minority interests	6	9	-3	-33.3
		<b>30.06.2015</b>	31.12.2014		
Investments		230,269	227,388	2,881	1.3
Equity capital		30,699	30,289	410	1.4
Staff		42,967	43,316	-349	-0.8
<b>Reinsurance</b>					
		<b>Q1–Q2 2015</b>	Q1–Q2 2014	Change	
				Absolute	in %
Gross premiums written		14,118	13,422	696	5.2
Technical result		1,430	1,279	151	11.8
Non-technical result		763	582	181	31.1
Operating result		2,193	1,861	332	17.8
Result		1,510	1,397	113	8.1
Thereof	<b>Reinsurance – Life</b>	<b>Q1–Q2 2015</b>	Q1–Q2 2014	Change	
				Absolute	in %
	Gross premiums written	5,116	4,944	172	3.5
	Technical result	133	219	-86	-39.3
	Non-technical result	139	114	25	21.9
	Operating result	272	333	-61	-18.3
	Result	123	246	-123	-50.0
	<b>Reinsurance – Property-casualty</b>	<b>Q1–Q2 2015</b>	Q1–Q2 2014	Change	
				Absolute	in %
	Gross premiums written	9,002	8,478	524	6.2
	Combined ratio in %	92.8	94.1	-1.3	
	Technical result	1,297	1,060	237	22.4
	Non-technical result	624	468	156	33.3
Operating result	1,921	1,528	393	25.7	
Result	1,387	1,151	236	20.5	



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<b>ERGO</b>		<b>Q1–Q2 2015</b>	Q1–Q2 2014	Change	
				Absolute	in %
Gross premiums written		8,520	8,618	-98	-1.1
Technical result		352	356	-4	-1.1
Non-technical result		224	187	37	19.8
Operating result		576	543	33	6.1
Result		318	264	54	20.5
<b>Thereof</b>					
<b>ERGO Life and Health Germany</b>		<b>Q1–Q2 2015</b>	Q1–Q2 2014	Change	
				Absolute	in %
Gross premiums written		4,727	4,905	-178	-3.6
Technical result		211	173	38	22.0
Non-technical result		20	32	-12	-37.5
Operating result		231	205	26	12.7
Result		105	66	39	59.1
<b>ERGO Property-casualty Germany</b>		<b>Q1–Q2 2015</b>	Q1–Q2 2014	Change	
				Absolute	in %
Gross premiums written		1,831	1,828	3	0.2
Combined ratio in %		95.7	95.3	0.4	
Technical result		96	103	-7	-6.8
Non-technical result		159	90	69	76.7
Operating result		255	193	62	32.1
Result		187	126	61	48.4
<b>ERGO International</b>		<b>Q1–Q2 2015</b>	Q1–Q2 2014	Change	
				Absolute	in %
Gross premiums written		1,962	1,885	77	4.1
Combined ratio in %		99.6	96.2	3.4	
Technical result		45	80	-35	-43.8
Non-technical result		45	65	-20	-30.8
Operating result		90	145	-55	-37.9
Result		26	72	-46	-63.9
<b>Munich Health</b>					
		<b>Q1–Q2 2015</b>	Q1–Q2 2014	Change	
				Absolute	in %
Gross premiums written		2,867	2,740	127	4.6
Combined ratio in %		100.1	99.3	0.8	
Technical result		-2	38	-40	-
Non-technical result		46	22	24	109.1
Operating result		44	60	-16	-26.7
Result		38	42	-4	-9.5
<b>Shares</b>					
		<b>Q1–Q2 2015</b>	Q1–Q2 2014	Change	
				Absolute	in %
Earnings per share in €		11.12	9.73	1.39	14.3
* Previous year's figures adjusted owing to IAS 8.					