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Press release

Munich Re kicks off 2015 with a quarterly profit of €790m

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Munich Re has started off 2015 with a pleasing quarterly profit. The consolidated result for the first three months amounted to €790m (same period previous year: €941m). For the full financial year, Munich Re is still aiming for a profit of €2.5–3bn.

CFO Jörg Schneider was satisfied with the result for the quarter: "We have started off well, although investment has again been made more difficult by the expansive policies of the central banks. We are well on track to achieve our result target of €2.5–3bn for the year as a whole."

With respect to the outlook for the Group, Schneider said that there was still a great demand for insurance cover in many regions across the world. Often, only a small part of the risk is insured. "As a result, the strongly increasing capacity supply in the primary insurance and reinsurance sectors at present is matched by a demand potential in many classes of business that is not yet exhausted," said Schneider. "Working together with present and future clients and partners, we aim to tap this potential by focusing all of the Group's extensive knowledge even more strongly on innovations."

Summary of the figures for the first quarter 2015

The operating result of €995m was below the figure for the same quarter last year (€1,327m). The amount posted under "other non-operating result" showed an increase of €121m to €6m (–115m), mainly due to foreign-exchange effects. Taxes on income totalled –€151m (–215m). Despite share buy-backs amounting to €0.3bn in the first quarter of 2015, equity capital rose by 14.7% to €34.8bn compared with the year-end figure of €30.3bn, mainly due to the quarterly profit, favourable foreign exchange effects, and the increase in on-balance-sheet net unrealised gains on investments triggered by low interest rates.

The annualised return on risk-adjusted capital (RORAC) amounted to 11.7%. The return on the strongly increased overall equity (RoE) totalled 9.7%. Gross premiums written grew by 0.9% to €13.0bn (12.9bn). If exchange rates had remained the same, premium volume would have fallen by 5.4% year on year.

Reinsurance: Result of €668m

The reinsurance segment contributed €668m (768m) to the consolidated result. The operating result fell by €258m to €758m. Gross premiums written climbed by 2.2% to €7.0bn (6.9bn), mainly owing to the development of exchange rates.

Life reinsurance contributed €71m (122m) to the consolidated result.

Property-casualty reinsurance accounted for €597m (646m) of the result for the first three months of the year. The combined ratio was a pleasing 92.3% (86.9%) of net earned premiums. As claims notifications for "basic losses" from prior years remained appreciably below the expected level overall, Munich Re was able to release reserves in the amount of around €165m, corresponding to 4.0 percentage points of the combined ratio. Munich Re is also continuing to aim 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.

In the first quarter, overall loss expenditure for major losses totalled –€255m (–39m). Natural catastrophe losses amounted to around –€66m (–36m) and man-made major losses to –€189m (–3m), representing 1.6% and 4.6% of net earned premiums respectively. Windstorm Niklas, which crossed Europe at the end of March, caused heavy losses, for which Munich Re expects expenditure of –€40m in reinsurance. Cyclone Pam, which devastated the South Pacific island nation of Vanuatu in the middle of March, cost Munich Re –€30m. The largest man-made individual loss for the period was –€35m for a fire at a US refinery.

Torsten Jeworrek, Munich Re's Reinsurance CEO, said with respect to the renewals at 1 April 2015: "Pressure on prices, terms and conditions remained high, so we are adhering strictly to our consistent cycle management. But as we were able to take advantage of selective opportunities in individual markets, our premium volume nevertheless increased slightly." A premium volume of around €1bn was up for renewal at 1 April 2015, as against €9.4bn in January. About a fifth of this concerned the Japanese market, and another 60% North America and worldwide business. At slightly below 40%, natural catastrophe business, which is subject to particularly significant price pressure, accounted for a relatively high percentage of this volume. At –2.6%, the fall in prices was therefore greater in comparison with January, but far less pronounced than in the renewals of April 2014.

The renewals at 1 July 2015 mainly involve treaty business in the US market and in Australia and Latin America, with a premium volume of around €2.1bn up for renewal, with natural catastrophe covers accounting for approximately 21%. Munich Re expects the environment to remain competitive provided the market is not affected by major loss events.

ERGO field of business: Result of €99m

In the first quarter, the ERGO field of business generated a profit of €99m (153m). The operating result fell by 24.8% to €215m (286m). The combined ratio

in the Property-casualty Germany segment for the first three months of 2015 worsened to 98.1% (95.4%). The largest loss event was Windstorm Niklas, for which ERGO expects expenditure of –€17m. The combined ratio in the ERGO International segment for the same period was 98.7% (94.9%).

Total premium income across all lines of business increased slightly by 0.7% in the first quarter of 2015 and came to €4,870 (4,838m), while gross premiums written were up by 0.4% to €4,585m (4,565m) in the first three months. In the Life and Health Germany segment, gross premiums decreased by 2.4% to €2,412m (2,471m), and in the Property-casualty Germany segment they remained at a similar level to the previous year at €1,193m (1,180m). In the ERGO International segment, gross premiums increased by 7.2% to €980m (914m).

ERGO CEO Torsten Oletzky commented: "The result for the early months of the year is encouraging. We are well on track to meet our targets for the year."

Munich Health: Profit of €23m

The Munich Health field of business generated a profit of €23m (20m) in the period from January to March, but the operating result declined to €22m. Munich Health's gross premiums written showed a year-on-year decrease of 3.9% to €1,443m (1,501m) due to a reduction in its share of a large-volume treaty. A favourable contribution came from positive effects from exchange rates, particularly the Canadian dollar. The combined ratio totalled 100.4% (99.7%). With effect from 1 January 2015, Munich Health sold its 75% shareholding in DKV Luxembourg to La Luxembourgeoise, which already held the remaining 25%.

Investments: Investment result of €1.8bn

With a carrying amount of €231.1bn (market value of €251.3bn), total investments (excluding insurance-related investments) as at 31 March 2015 were up on the year-end 2014 figure of €218.9bn (235.8bn at market value). The increase is due above all to higher market values as a consequence of falling interest rates and the weak euro.

The Group's investment result (excluding insurance-related investments) decreased to €1.8bn (2.0bn). In the course of the liquidation of Heta Asset Resolution AG, Munich Re posted a write-down on its fixed-interest portfolio with an impact on the result of about –€30m, which is attributable exclusively to ERGO. Changes in the value of derivatives had a negative effect of –€706m for the first three months. The balance of gains and losses on disposals excluding derivatives was around €1bn. Overall, the investment result represents a pleasing return of 3.0% on the strongly increased average market value of the portfolio.

Munich Re's equity-backing ratio at 31 March 2015 fell to 4.2% (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.

While the yields of many European government bonds fell to record lows in the first quarter, the level of long-term interest rates in the USA was somewhat higher – although these also fell during the course of the quarter. At present, 16.2% of Munich Re's government bond portfolio is made up of US bonds.

CFO Jörg Schneider was satisfied with the investment result: "Our active asset management has especially generated high gains on disposals from our equity portfolio. Despite broad diversification, we are feeling the effects of extremely low interest rates on our portfolio even more keenly, but we will not seek to make up for the shortfall by adopting a more risky investment strategy."

The Group's asset manager is MEAG, whose assets under management as at 31 March 2015 included not only Group investments but also segregated and retail funds totalling €15.1bn (13.9bn).

Outlook for 2015: Group result target of €2.5–3bn confirmed

Expectations for 2015 have scarcely changed in comparison with the figures given in the 2014 Annual Report that was published in March. The Group now anticipates that for the financial year 2015 its gross premiums written will be in the range of €49–51bn. The increase of €2bn compared with its original forecast is chiefly due to positive currency translation effects. In the reinsurance field of business, gross premiums written are now expected to total around €28bn. For Munich Health, around €5.5bn in gross premiums written are currently projected, also chiefly on account of favourable currency translation effects.

In property-casualty reinsurance, Munich Re is now aiming for a combined ratio of only around 97% of net earned premiums for 2015; the improvement by one percentage point in comparison with the March forecast is due to the low incidence of major losses in the first quarter.

The Group is still aiming for a consolidated result in the range of €2.5–3bn, subject to large losses being within normal bounds and to its profits not being affected by severe movements in exchange rates or the capital markets, significant changes in fiscal parameters, or other exceptional factors.

CFO Schneider emphasised: "Our good capital position allows us to continue making targeted use of opportunities for profitable growth in individual regions and lines of business. In the long term, above all we want to grow profitably with innovative business."

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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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Key figures (IFRS) for the Group in the first quarter of 2015*					
(in €m unless otherwise indicated)					
		1st quarter 2015	1st quarter 2014	Change	
				Absolute	in %
Gross premiums written		13,038	12,924	114	0.9
Net earned premiums		11,860	11,895	-35	-0.3
Net expenses for claims and benefits		-10,196	-9,971	-225	-2.3
Technical result		912	1,217	-305	-25.1
Investment result		1,820	1,992	-172	-8.6
Thereof	Realised gains	1,533	872	661	75.8
	Realised losses	-1,253	-357	-896	-251.0
Insurance-related investment result		579	78	501	642.3
Non-technical result		83	110	-27	-24.5
Operating result		995	1,327	-332	-25.0
Net finance costs		-60	-56	-4	-7.1
Taxes on income		-151	-215	64	29.8
Consolidated profit		790	941	-151	-16.0
Thereof attributable to	Munich Reinsurance Company equity holders	790	936	-146	-15.6
	Minority interests	-	5	-5	-100.0
		31.3.2015	31.12.2014		
Investments		240,526	227,388	13,138	5.8
Equity capital		34,753	30,289	4,464	14.7
Staff		42,827	43,316	-489	-1.1
Reinsurance					
		1st quarter 2015	1st quarter 2014	Change	
				Absolute	in %
Gross premiums written		7,010	6,858	152	2.2
Technical result		761	946	-185	-19.6
Non-technical result		-3	70	-73	-
Operating result		758	1,016	-258	-25.4
Result		668	768	-100	-13.0
Thereof:	Reinsurance – Life	1st quarter 2015	1st quarter 2014	Change	
				Absolute	in %
	Gross premiums written	2,412	2,477	-65	-2.6
	Technical result	103	124	-21	-16.9
	Non-technical result	-20	20	-40	-
	Operating result	83	144	-61	-42.4
	Result	71	122	-51	-41.8
	Reinsurance – Property-casualty	1st quarter 2015	1st quarter 2014	Change	
				Absolute	in %
	Gross premiums written	4,598	4,381	217	5.0
	Combined ratio in %	92.3	86.9	5.4	
	Technical result	658	822	-164	-20.0
	Non-technical result	17	50	-33	-66.0
Operating result	675	872	-197	-22.6	
Result	597	646	-49	-7.6	

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ERGO field of business		1st quarter 2015	1st quarter 2014	Change	
				Absolute	in %
Gross premiums written	4,585	4,565	20	0.4	
Technical result	157	257	-100	-38.9	
Non-technical result	58	29	29	100.0	
Operating result	215	286	-71	-24.8	
Result	99	153	-54	-35.3	
Thereof:					
	ERGO Life and Health Germany	1st quarter 2015	1st quarter 2014	Change	
				Absolute	in %
	Gross premiums written	2,412	2,471	-59	-2.4
	Technical result	88	127	-39	-30.7
	Non-technical result	28	-35	63	-
	Operating result	116	92	24	26.1
	Result	51	27	24	88.9
	ERGO Property-casualty Germany	1st quarter 2015	1st quarter 2014	Change	
				Absolute	in %
	Gross premiums written	1,193	1,180	13	1.1
	Combined ratio in %	98.1	95.4	2.7	
	Technical result	28	48	-20	-41.7
	Non-technical result	36	47	-11	-23.4
	Operating result	64	95	-31	-32.6
	Result	37	68	-31	-45.6
ERGO International	1st quarter 2015	1st quarter 2014	Change		
			Absolute	in %	
Gross premiums written	980	914	66	7.2	
Combined ratio in %	98.7	94.9	3.8		
Technical result	41	82	-41	-50.0	
Non-technical result	-6	17	-23	-	
Operating result	35	99	-64	-64.6	
Result	11	58	-47	-81.0	
Munich Health		1st quarter 2015	1st quarter 2014	Change	
				Absolute	in %
Gross premiums written	1,443	1,501	-58	-3.9	
Combined ratio in %	100.4	99.7	0.7		
Technical result	-6	14	-20	-	
Non-technical result	28	11	17	154.5	
Operating result	22	25	-3	-12.0	
Result	23	20	3	15.0	
Shares		1st quarter 2015	1st quarter 2014	Change	
				Absolute	in %
Earnings per share in €	4.71	5.33	-0.62	-11.6	
* Previous year's figures adjusted pursuant to IAS 8.					