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## Press release

# Munich Re generates a profit of €733m in second quarter

Contact  
Media Relations Munich,  
Stefan Straub  
Tel.: +49 (89) 3891-9896  
Fax: +49 (89) 3891-79896  
sstraub@munichre.com

### **Münchener Rückversicherungs- Gesellschaft**

Aktiengesellschaft in München  
Media Relations  
Königinstraße 107  
80802 München  
Germany  
Letters: 80791 München

[www.munichre.com](http://www.munichre.com)  
<http://twitter.com/munichre>

**Munich Re posted a consolidated profit of €733m for the second quarter of 2017 (same period last year: €974m); the profit for the first half-year amounted to €1,290m (1,411m).**

Joachim Wenning, Chairman of Munich Re's Board of Management, said: "Both the quarterly result and the half-year result are very pleasing overall. Munich Re is well on track to reach its 2017 profit guidance of €2.0–2.4bn. We have the right strategy, and we can concentrate on implementing that strategy by writing profitable new business. Both of our fields of business offer many opportunities in this regard. The bundling of our competencies in reinsurance and primary insurance allows Munich Re to continue driving digital transformation consistently across the entire value chain."

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

A high investment result and a below-average random incidence of major losses contributed to the sound result of €733m. These were countered by currency translation losses resulting from the rise in the value of the euro. In the second quarter, the operating result of €1,156m was below the figure for the same quarter last year (€1,463m). The other non-operating result fell by €144m to –€264m (–120m), and taxes on income totalled €108m (302m). Equity fell to €30.1bn as at 30 June 2017, due to dividend payments, share buy-backs and currency translation effects.

The annualised return on risk-adjusted capital (RORAC) in the first six months amounted to 9.7%, and the return on overall equity (RoE) totalled 8.2%. Since the Annual General Meeting at the end of April, shares with a volume of around €220m have been repurchased by the end of July as part of the share buy-back programme announced in March.

Gross premiums written of €11,800m in the second quarter were approximately at the same level as in the previous year (€11,928m). If exchange rates had remained the same, premium volume would have fallen by 1.6% year on year.

### **Reinsurance: Result of €629m in second quarter**

The reinsurance field of business accounted for €629m (991m) of the Group consolidated result for the second quarter. For the period from January to June, reinsurance business contributed €1,095m (1,440m) to the consolidated result. The operating result for the second quarter was €896m (999m).

Torsten Jeworrek, member of Munich Re's Board of Management, said: "We see potential for profitable growth not only in innovative solutions or new digital business models, but also in traditional areas of business. The insurance gap is considerable even in developed markets. So there are also opportunities to write profitable business in the current market environment."

The technical result in life/health reinsurance – including the result from business that is not recognised in the technical result owing to insufficient risk transfer – declined to €77m (90m) in the second quarter in comparison with the very good previous quarters. This was due, in particular, to lower results in the USA and Asia. As the figure for the period from April to June was below expectations – partly because of the recapture of a loss-making treaty, which could be followed by further such actions – Munich Re is lowering its estimate for the full year from €450m to €400m.

The reinsurance units of the disbanded Munich Health field of business are included in the life and health reinsurance segment. The previous year's figures have been amended to ensure comparability.

The result contribution of property-casualty business declined to €517m (778m) in the second quarter. The combined ratio for April to June totalled 93.9% (99.8%) of net earned premiums; the figure for the half-year was 95.5% (94.3%). Thus Munich Re is well on track to meet the target of around 97% for the full year.

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 €240m, corresponding to 5.7 percentage points of the combined ratio for the second quarter. For the first half-year, Munich Re thus released reserves totalling around €490m, or approximately 5.9% of net earned premiums. 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.

Overall loss expenditure for major losses totalled €253m (542m) in the second quarter, and €656m (643m) for the first six months of the year. In the second quarter, natural catastrophe losses amounted to €66m (335m), and man-made major losses to €187m (207m). These figures are equivalent to 1.6% (nat cat) and 4.5% (man-made) of net earned premium respectively. The most expensive natural catastrophe in the second quarter was a severe thunderstorm in the USA at the beginning of May, for which Munich Re anticipates expenditure of around €25m.

Gross premiums written in reinsurance decreased by 2.1% year on year in the period from April to June (with unchanged currency translation rates: – 2.9%) to €7,659m (7,822m). In life/health reinsurance, gross premiums written increased by 6.3% in the second quarter (with unchanged currency translation rates: +7.0%) to €3,436m (3,233m). In particular, this was due to several large-volume treaties concluded in Canada, Australia and Europe since the second half of 2016. Premium volume in property-casualty reinsurance fell overall by 8.0% (with unchanged currency translation rates: –9.8%) to €4,233m (4,589m).

The property-casualty renewals as at 1 July 2017 mainly concerned treaty business in the USA, Australia, Latin America and with Global Clients; the volume renewed was around €2.2bn. Prices were down again slightly by 0.4% in the July renewals (previous year's renewals as at 1 July 2016: –0.4%). Munich Re was able to take advantage of select opportunities in some markets, so that premium volume increased to around €2.6bn.

**ERGO: Result of €104m in second quarter**

The net result increased to €104m (–17m) in the second quarter. This higher-than-expected result was boosted by a tax credit. From January to June, ERGO generated a profit of €195m (–30m). All three segments – Life and Health Germany, Property-casualty Germany, and International – were able to substantially improve on their half-year result from the previous year. The operating result for the ERGO field of business decreased to €260m (463m) from April to June.

Markus Rieß, who is ERGO's CEO and a member of the Board of Management of Munich Re, commented as follows: “The ERGO Strategy Programme that was launched about a year ago is progressing well. We are on target as regards implementation and increasing our result as envisaged. ERGO remains committed to its target of contributing a sustainable profit of over €600m annually to the consolidated result by the time the Strategy Programme ends in 2021.”

The combined ratio in the Property-casualty Germany segment was 92.7% (93.3%) for the second quarter, and 95.8% (95.9%) for the first half-year. The combined ratio in the International segment improved to 98.7% (101.5%) in the second quarter and amounted to 97.5% (97.9%) in the first half-year.

Total premium income across all lines of business fell by 1.0% to €4,447m (4,492m) in the second quarter; and gross premiums written climbed by 0.9% to €4,141m (4,106m). In the Life and Health Germany segment, gross premiums increased by 2.6% to €2,244m (2,188m), whilst in the Property-casualty Germany segment they were approximately at the same level as the previous year at €657m (646m). In the International segment, they fell by 2.6% to €1,240m (1,272m).

The primary insurance units of the disbanded Munich Health field of business are included in the ERGO International segment. The previous year's figures have been amended to ensure comparability.

**Investments: Investment result of €1,889m in second quarter**

For the period from April to June 2017, the Group's investment result (excluding insurance-related investments) declined to €1,889m (2,750m). The investment result represents an overall return of 3.2%. Munich Re's reinvestment return was around 1.8%. There was a decline in the net balance of derivatives, with losses from equity derivatives and a lower result from interest-rate derivatives having a negative impact on the result. The balance of gains and losses on disposals excluding derivatives was €432m (910m).

The proportion of investments in equities (including equity-linked derivatives) increased slightly to 6.0% as at 30 June 2017 (31 December 2016: 5.0%). 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 87% at market value.

With a market value of €229,737m, total investments (excluding insurance-related investments) as at 30 June 2017 were down on the year-end 2016 figure of €236,153m.

The Group's asset manager is MEAG, whose assets under management as at 30 June 2017 include not only Group investments, but also third-party investments totalling €15.2bn (19.2bn).

**Outlook 2017: no change to profit guidance of €2.0–2.4bn for the Group**

For the technical result in life/health reinsurance – including the result from business that is not recognised in the technical result owing to insufficient risk transfer – Munich Re is lowering its full-year forecast from €450m to €400m. Munich Re now expects the ERGO field of business to deliver a combined ratio of 98% (previously: 99%) for the Property-casualty Germany segment. The reason for this is a lower expense ratio. Profit guidance for ERGO is being raised to €200–250m (previously: €150–200m). Other forecasts for 2017 remain unchanged from the figures stated in the first quarter. Munich Re is still expecting to post gross premiums written of €48–50bn for 2017, and is not changing its forecast consolidated result in the range of €2.0–2.4bn.

Note for the editorial staff:  
For further questions please contact

Media Relations Munich  
Stefan Straub  
Tel.: +49 (89) 3891-9896

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Media Relations Asia Pacific  
Silke Kunstreich  
Tel.: +852 2536 6936  
Mary Kavanagh  
Tel.: +852 2536 6939

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 ERGO, 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.

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

<b>Key figures (IFRS) for the Group in the second quarter of 2017*</b>						
(in €m unless otherwise indicated)						
		2nd quarter 2017	2nd quarter 2016	Change		
				Absolute	in %	
Gross premiums written		11,800	11,928	-128	-1.1	
Net earned premiums		11,771	11,808	-36	-0.3	
Net expenses for claims and benefits		-9,509	-10,070	561	5.6	
Technical result		762	529	233	44.1	
Investment result		1,889	2,750	-861	-31.3	
Thereof:	Realised gains	527	1,377	-850	-61.7	
	Realised losses	-95	-467	372	79.7	
Result from insurance-related investments		12	31	-19	-60.3	
Non-technical result		394	933	-540	-57.8	
Operating result		1,156	1,463	-306	-20.9	
Net finance costs		-52	-58	5	9.2	
Taxes on income		-108	-302	194	64.3	
Consolidated profit		733	974	-241	-24.8	
Thereof attributable to	Munich Reinsurance Company equity holders	729	974	-245	-25.1	
	Minority interests	3	0	3	>1,000.0	
<b>Reinsurance*</b>						
		2nd quarter 2017	2nd quarter 2016	Change		
				Absolute	in %	
Gross premiums written		7,659	7,822	-163	-2.1	
Technical result		602	369	233	63.1	
Non-technical result		294	631	-336	-53.4	
Operating result		896	999	-104	-10.4	
Result		629	991	-363	-36.6	
Thereof:	<b>Life and health* reinsurance</b>	2nd quarter 2017	2nd quarter 2016	Change		
				Absolute	in %	
		Gross premiums written	3,436	3,233	203	6.3
		Technical result	64	80	-15	-19.3
		Non-technical result	112	132	-20	-15.3
		Operating result	176	212	-36	-16.8
		Result	112	213	-102	-47.7
	<b>Property-casualty reinsurance</b>	2nd quarter 2017	2nd quarter 2016	Change		
				absolute / in % points	in %	
		Gross premiums written	4,223	4,589	-366	-8.0
		Combined ratio %	93.9	99.8	-5.8	
		Technical result	537	289	248	85.7
		Non-technical result	182	498	-316	-63.4
		Operating result	720	788	-68	-8.7
Result	517	778	-261	-33.5		

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<b>ERGO*</b>		<b>2nd quarter 2017</b>	2nd quarter 2016	Change		
				Absolute	in %	
Gross premiums written		4,141	4,106	35	0.9	
Technical result		161	160	0	0.2	
Non-technical result		100	303	-203	-67.0	
Operating result		260	463	-203	-43.8	
Result		104	-17	121	-	
Thereof:	<b>ERGO Life and Health Germany</b>	<b>2nd quarter 2017</b>	2nd quarter 2016	Change		
				Absolute	in %	
	Gross premiums written		2,244	2,188	56	2.6
	Technical result		108	119	-11	-9.2
	Non-technical result		48	227	-179	-78.8
	Operating result		156	346	-190	-54.9
	Result		50	55	-5	-8.7
		<b>ERGO Property-casualty Germany</b>	<b>2nd quarter 2017</b>	2nd quarter 2016	Change	
					Absolute / in % points	in %
	Gross premiums written		657	646	11	1.8
	Combined ratio %		92.7	93.3	-0.7	
	Technical result		74	69	5	7.4
	Non-technical result		25	2	23	>1,000.0
	Operating result		99	72	28	38.7
	Result		48	-68	116	
		<b>ERGO International*</b>	<b>2nd quarter 2017</b>	2nd quarter 2016	Change	
					Absolute / in % points	in %
	Gross premiums written		1,240	1,272	-32	-2.6
	Combined ratio %		98.7	101.5	-2.8	
	Technical result		-22	-28	6	22.1
	Non-technical result		27	74	-47	-63.3
Operating result		5	46	-41	-88.1	
Result		5	-4	10	-	
<b>Shares</b>		<b>2nd quarter 2017</b>	2nd quarter 2016	Change		
				Absolute	in %	
Earnings per share in €		4.71	6.05	-1.34	-22.2	

\* Previous year's figures adjusted owing to a change in the composition of the reporting segments.

<b>Key figures (IFRS) for the Group in the first half-year of 2017*</b>				
(in €m unless otherwise indicated)				
	Q1-2 2017	Q1-2 2016	Change	
			Absolute	in %
Gross premiums written	24,725	24,438	287	1.2
Net earned premiums	23,614	23,150	464	2.0
Net expenses for claims and benefits	-19,686	-19,039	-648	-3.4
Technical result	1,456	1,474	-17	-1.2
Investment result	4,040	4,322	-282	-6.5
Thereof				
Realised gains	1,808	1,939	-131	-6.8
Realised losses	-328	-812	484	59.6
Result from insurance-related investments	168	-177	346	-
Non-technical result	652	714	-62	-8.7
Operating result	2,108	2,188	-80	-3.6
Net finance costs	-106	-108	2	1.7
Taxes on income	-295	-459	163	35.6
Consolidated profit	1,290	1,411	-121	-8.6
Thereof attributable to				
Munich Reinsurance Company equity holders	1,283	1,404	-121	-8.6
Minority interests	7	6	1	8.9
	<b>30.6.2017</b>	31.12.2016	Change	
Investments (excluding insurance-related investments)	215,760	219,416	-3,656	-1.7
Net equity	30,139	31,785	-1,646	-5.2
Employees	43,157	43,428	-271	-0.6
<b>Reinsurance*</b>				
	Q1-2 2017	Q1-2 2016	Change	
			Absolute	in %
Gross premiums written	15,705	15,446	259	1.7
Technical result	1,133	1,187	-54	-4.5
Non-technical result	446	331	115	34.6
Operating result	1,579	1,518	61	4.0
Result	1,095	1,440	-345	-24.0
Thereof				
	<b>Reinsurance – Life and health*</b>		Change	
	Q1-2 2017	Q1-2 2016	Absolute	in %
Gross premiums written	6,924	6,329	595	9.4
Technical result	209	143	66	46.0
Non-technical result	159	71	88	124.6
Operating result	368	214	154	72.1
Result	237	237	0	0.1
	<b>Reinsurance – Property-casualty</b>		Change	
	Q1-2 2017	Q1-2 2016	Absolute	in %
Gross premiums written	8,781	9,117	-336	-3.7
Combined ratio in %	95.5	94.3	1.2	
Technical result	925	1,044	-120	-11.5
Non-technical result	286	260	26	10.1
Operating result	1,211	1,305	-94	-7.2
Result	858	1,203	-345	-28.7



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<b>ERGO*</b>		<b>Q1-2 2017</b>	Q1-2 2016	Change	
				Absolute	in %
Gross premiums written		9,020	8,993	27	0.3
Technical result		323	286	37	12.8
Non-technical result		206	383	-177	-46.2
Operating result		529	670	-140	-20.9
Result		195	-30	225	-
<b>Thereof</b>					
<b>ERGO Life and Health Germany</b>		<b>Q1-2 2017</b>	Q1-2 2016	Change	
				Absolute	in %
Gross premiums written		4,568	4,520	48	1.1
Technical result		210	202	8	3.9
Non-technical result		119	322	-203	-63.0
Operating result		329	524	-195	-37.2
Result		113	69	44	64.3
<b>ERGO Property-casualty Germany</b>		<b>Q1-2 2017</b>	Q1-2 2016	Change	
				Absolute	in %
Gross premiums written		1,897	1,865	32	1.7
Combined ratio in %		95.8	95.9	-0.1	
Technical result		90	84	6	7.7
Non-technical result		53	-46	99	-
Operating result		143	38	105	277.9
Result		61	-92	153	-
<b>ERGO International*</b>		<b>Q1-2 2017</b>	Q1-2 2016	Change	
				Absolute	in %
Gross premiums written		2,555	2,607	-52	-2.0
Combined ratio in %		97.5	97.9	-0.4	
Technical result		23	1	22	>1,000.0
Non-technical result		34	107	-73	-68.3
Operating result		57	108	-51	-47.1
Result		22	-6	27	-
<b>Shares</b>					
		<b>Q1-2 2017</b>	Q1-2 2016	Change	
				Absolute	in %
Earnings per share in €		8.26	8.69	-0.44	-5.0

\* Previous year's figures adjusted owing to a change in the composition of the reporting segments.