

Munich, 01 June 2016

Press release

ERGO presents Strategy Programme: Investing and saving towards a successful future

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ERGO Group AG is going to great expense to get fit for the future. The Strategy Programme of Munich Re's primary insurance group covers all the material activities of an insurer, from sales and products to managing the business. By investing significantly – above all in IT – ERGO is laying the foundation for digitalising its business.

Nikolaus von Bomhard, Munich Re's CEO and Chairman of ERGO's Supervisory Board, said: "The Strategy Programme of ERGO's CEO Markus Rieß will ensure that ERGO can once again become a strong source of earnings for Munich Re."

ERGO will invest a total net figure of €1bn up to 2020. The money will largely flow into modernising the Group's information technology. Markus Rieß, who is ERGO's CEO and also a member of the Board of Management of Munich Re, commented as follows: "We are leveraging the opportunities of digitalisation to ensure a successful future for ERGO." By consolidating sales organisations and paring down administration costs, ERGO plans to lower its cost basis by around €540m gross (around €280m net) by 2020. The measures will lead to the loss of around 1,800 jobs in Germany.

For customers using both online and offline channels, ERGO will develop suitable products that are online, intuitive, and will provide for rapid and efficient administration and short response times – complemented by personal advice either online or locally. Customers that only use online channels for their insurance needs will be able to use the services of a purely digital insurance company with its own brand, to be launched by ERGO in 2017. The first product to be launched by this provider will be a motor insurance policy.

From 2021 at the latest, ERGO expects its annual net profits to contribute more than €500m to Munich Re's result on a long-term basis. Owing to the investments attributable to 2016, ERGO's result for the ongoing financial year should be slightly negative. This had already been announced by Munich Re in its results published for the first quarter of 2016. In the years to follow, savings and additional earnings potential will increasingly offset the investments made. For 2017, ERGO expects its result to return to a distinctly positive level.

The one-off expenses attributable to 2016, which will have an impact of around €300m on ERGO's result, are already included in Munich Re's net profit guidance of €2.3bn for the current year. As always, this figure is subject to actual claims experience, the impact of severe currency or capital market movements, significant changes in fiscal parameters, and other special factors.

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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 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 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 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.

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