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**Press release**

# Munich Re starts the 2017 financial year with a quarterly profit of €557m

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**Munich Re posted a profit of €557m (436m) in the first quarter of 2017, and affirmed its profit guidance of €2.0–2.4bn for the full year.**

CFO Jörg Schneider commented on the result: "We are very pleased with the profit for the quarter of €557m, and are on track to meet our profit target for the full year. We achieved a gratifying quarterly result despite a significant increase in major losses, and this was due in large part to the good investment result. The development of business was particularly positive in life and health reinsurance, where the technical result was higher than we had expected. ERGO saw improved results in all segments."

Regarding the economic outlook at Munich Re, Schneider said: "We welcome the turnaround in interest rates in the USA, and hope that the ECB will also return to sustainable monetary policy. Pressure on prices in reinsurance has eased off considerably. We continue to focus on our disciplined underwriting policy, responsiveness to clients' needs, and the systematic tapping of new business opportunities in primary insurance and reinsurance."

**Summary of the figures for the first quarter of 2017**
The operating result increased year on year to €952m (726m). The other non-operating result fell to –€153m (–82m), which included foreign exchange losses of €57m. Taxes on income totalled €188m (157m). At €32,160m, equity was slightly over the level at the start of the year (€31,785m), and higher unrealised gains on equities overcompensated for losses on interest-bearing securities due to the slight increase in interest rates. In addition, Munich Re repurchased a total of 1.8 million own shares with a volume of €0.3bn since the beginning of the year. The annualised return on risk-adjusted capital (RORAC) amounted to 8.3%. The return on the increased overall equity (RoE) totalled 7.0%. Gross premiums written were up by 3.3% to €12,925m (12,511m). If exchange rates had remained the same, premium volume would have risen by 1.6% year on year.

**Reinsurance: Result of €466m**
The reinsurance field of business contributed €466m (449m) to the consolidated result, with the operating result up by €164m to €683m. Gross premiums written increased by 5.5% to €8,046m (7,624m).

Life and health reinsurance made a particularly high contribution of €126m (24m). Premium income increased to €3,488m (3,096m) owing to currency translation effects and the conclusion of new large-volume treaties. The technical result – together with the result from business that is not recognised in the technical result owing to insufficient risk transfer – was very pleasing at €158m (74m). Claims experience was not uniform across the regions and business units, but was better than expected overall.

The reinsurance units of the disbanded Munich Health field of business are now recognised in the life and health reinsurance segment, and the previous year's figures were adjusted to ensure comparability.

Property-casualty reinsurance contributed €340m (425m) to the result for the first three months of the year. At 97.1% (88.4%) of net earned premiums, the combined ratio was good, and on track to achieve the Munich Re target level of 97% for the full year. Owing to a number of losses just below the major-loss threshold, the first quarter saw an increase in the basic loss ratio in particular.

Overall major-loss expenditure increased significantly year on year to €403m (100m), but at 9.6% still remained below Munich Re's projection of 12% of net earned premiums. Man-made major losses amounted to €247m (111m). Natural catastrophe losses amounted to €156m (+11m), with the largest single loss caused by Cyclone Debbie at €100m. With an unusual accumulation of significant but localised natural catastrophe events in the USA, the Group suffered high loss expenditure overall, even though the individual loss events remained below the €10m major-loss threshold.

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 €250m, corresponding to six percentage points of the combined ratio. Munich Re continues 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.

Pressure on prices, terms and conditions remained intense in the renewals as at 1 April 2017, although there was a slight easing. Munich Re continued to adhere to its consistent cycle management. A premium volume of around €1.7bn was up for renewal at 1 April 2017, as against about €9bn in January. Around 14% of this business was attributable to the Japanese market, a further 42% to North America and global business, and about 35% to Europe. At 24%, natural catastrophe business – which has been particularly subject to price pressure – accounted for a high percentage of this volume. The overall decline in prices was 0.5% for the April renewals, and thus much less pronounced than for the renewals as at April 2016. Munich Re was able to take advantage of selective opportunities in certain markets, such as in Japan. Premium volume fell to around €1.5bn.

The renewals at 1 July 2017 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, and with natural catastrophe covers accounting for approximately 19%. Munich Re expects the business environment to remain competitive provided the market is not affected by major loss events.

**ERGO: Result of €91m**
In the first quarter, the ERGO field of business generated a result of €91m (–12m). All three primary insurance segments – ERGO Life and Health Germany, ERGO Property-casualty Germany, and ERGO International – were able to improve on their results year on year. Overall, development was in line with expectations. The high investment result was due in great part to gains on disposals used to finance the additional interest reserve in the ERGO Life and Health Germany segment. Most of the financial requirements for 2017 are now covered.

The operating result increased by 30.2% to €269m (207m). The combined ratio for the Property-casualty Germany segment worsened to 99.1% (98.6%) in the first three months of 2017, while the figure for the International segment deteriorated to 96.3% (94.3%) for the same period.

Total premium income across all lines of business fell by 0.6% in the first quarter and amounted to €5,114m (5,148m); gross premiums written were down slightly by 0.2% to €4,879m (4,887m) in the same period. In the Life and Health Germany segment, gross premiums declined somewhat by 0.4% to €2,324m (2,333m), but increased by 1.7% to €1,240m (1,219m) in the Property-casualty Germany segment. In the International segment, gross premiums declined by 1.5% to €1,315m (1,335m).

The primary insurance units of the disbanded Munich Health field of business are now recognised in the ERGO International segment, and the previous year's figures were adjusted to ensure comparability.

**Investments: Investment result of €2,151m**
With a carrying amount of €220,546m (market value of €235,399m), total investments (excluding insurance-related investments) as at 31 March 2017 were up on the previous year's figure of €219,416m (236,153m at market value). Price falls in fixed-interest securities resulting from the slight increase in interest rates were thus roughly balanced out overall by value increases in the equity portfolio. The Group's investment result (excluding insurance-related investments) increased to €2,151m (1,572m). At €1,634m (1,628m), regular income in the first quarter of 2017 remained gratifyingly stable; as expected, lower income from fixed-interest securities was counterbalanced by higher dividend income and income from associates. The net balance of derivatives fell to –€362m (+74m). With the increase in market interest rate levels and stock-market prices, there was a negative impact from losses on interest-rate derivatives, particularly from the ERGO interest-rate hedging programme, and above all from losses on equity derivatives used to hedge against falling stock market rates. The balance of gains and losses on disposals excluding derivatives increased to €1,048m (218m). Munich Re also posted lower net

year-on-year write-downs of €26m (219m) on non-derivative investments during the past quarter.

The investment result represents an overall return of 3.6% on the average market value of the portfolio; the running yield was 2.8%, and the return on reinvestment was 2.0%. Munich Re's equity-backing ratio (including equity-linked derivatives) at 31 March 2017 increased to 5.3% (31 December 2016: 5.0%).

The Group's asset manager is MEAG, whose assets under management as at 31 March 2017 included not only Group investments, but also a volume of €14.8bn (19.2bn) for third parties.

On 19 May, Munich Re will publish its Solvency and Financial Condition Reports (SFCRs) with detailed information about the solvency ratios under Solvency II for 2016 for both Munich Re (Group) and for the solo entities. These reports – which are being published for the first time – demonstrate that Munich Re has a very good capital position. Integrated risk management and consistent economic management ensure that capital strength is maintained even under stress scenarios. All subsidiaries were adequately capitalised at the end of 2016, and Solvency II transitional measures were applied as a precaution for ERGO Leben and Victoria Leben. Even without taking account of the effect of these measures, the solvency ratio for Munich Re (Group) as at 31 December 2016 was a very high 267%. Since that time, it has fallen to 243% at the end of the first quarter as a result of the dividend payment, the announced repurchasing of shares, and the repayment of a bond. This solvency ratio still places Munich Re in the top group of major European insurance companies.

**Outlook 2017: Profit guidance of €2.0–2.4bn for the Group**
Expectations for 2017 have not changed in comparison with the figures given in the 2016 Annual Report that was published in March. Munich Re still anticipates gross premiums written of €48–50bn for the 2017 financial year,
and is expecting to generate a consolidated result for the year in the range of €2.0–2.4bn.

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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 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.

Munich, 09 May 2017

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## Key figures (IFRS) for the Group in the first quarter of 2017

(in €m unless otherwise indicated)

| | | **1st quarter 2017** | 1st quarter 2016 | Change | |
|---|---|---|---|---|---|
| | | | | Absolute | in % |
| Gross premiums written | | 12,925 | 12,511 | 415 | 3.3 |
| Net earned premiums | | 11,842 | 11,342 | 500 | 4.4 |
| Net expenses for claims and benefits | | -10,178 | -8,969 | -1,209 | -13.5 |
| Technical result | | 694 | 945 | -250 | -26.5 |
| Investment result | | 2,151 | 1,572 | 578 | 36.8 |
| Thereof | Realised gains | 1,281 | 562 | 719 | 127.9 |
| | Realised losses | -233 | -344 | 111 | 32.3 |
| Insurance-related investment result | | 156 | -208 | 364 | – |
| Non-technical result | | 258 | -219 | 477 | – |
| Operating result | | 952 | 726 | 227 | 31.2 |
| Net finance costs | | -54 | -51 | -3 | -6.9 |
| Taxes on income | | -188 | -157 | -31 | -19.8 |
| Consolidated profit | | 557 | 436 | 121 | 27.7 |
| Thereof attributable to | Munich Reinsurance Company equity holders | 554 | 430 | 123 | 28.7 |
| | Minority interests | 4 | 6 | -3 | -41.7 |
| | | | | | |
| | | **31.3.2017** | 31.12.2016 | | |
| Investments (excluding insurance-related investments) | | 220,546 | 219,416 | 1,203 | 0.5 |
| Equity capital | | 32,160 | 31,785 | 376 | 1.2 |
| Staff | | 43,198 | 43,428 | -230 | -0.5 |
| | | | | | |
| **Reinsurance*** | | **1st quarter 2017** | 1st quarter 2016 | Change | |
| | | | | Absolute | in % |
| Gross premiums written | | 8,046 | 7,624 | 423 | 5.5 |
| Technical result | | 532 | 819 | -287 | -35.0 |
| Non-technical result | | 151 | -300 | 451 | – |
| Operating result | | 683 | 519 | 164 | 31.7 |
| Result | | 466 | 449 | 17 | 3.9 |
| | | | | | |
| Thereof | **Life and health reinsurance*** | **1st quarter 2017** | 1st quarter 2016 | Change | |
| | | | | Absolute | in % |
| | Gross premiums written | 3,488 | 3,096 | 392 | 12.7 |
| | Technical result | 145 | 63 | 81 | 127.8 |
| | Non-technical result | 48 | -61 | 109 | – |
| | Operating result | 192 | 2 | 190 | >1.000,0 |
| | Result | 126 | 24 | 102 | 432.8 |
| | | | | | |
| | **Property-casualty reinsurance** | **1st quarter 2017** | 1st quarter 2016 | Change | |
| | | | | Absolute/Percentage points | in % |
| | Gross premiums written | 4,558 | 4,528 | 31 | 0.7 |
| | Combined ratio in % | 97.1 | 88.4 | 8.6 | |
| | Technical result | 387 | 755 | -368 | -48.7 |
| | Non-technical result | 104 | -238 | 342 | – |
| | Operating result | 491 | 517 | -25 | -4.9 |
| | Result | 340 | 425 | -85 | -19.9 |

| **ERGO*** | | **1st quarter 2017** | 1st quarter 2016 | Change | |
|---|---|---|---|---|---|
| | | | | Absolute | in % |
| Gross premiums written | | 4,879 | 4,887 | -8 | -0.2 |
| Technical result | | 162 | 126 | 36 | 28.9 |
| Non-technical result | | 107 | 81 | 26 | 32.3 |
| Operating result | | 269 | 207 | 62 | 30.2 |
| Result | | 91 | -12 | 103 | – |
| | | | | | |
| Thereof | **ERGO Life and Health Germany** | **1st quarter 2017** | 1st quarter 2016 | Change | |
| | | | | Absolute | in % |
| | Gross premiums written | 2,324 | 2,333 | -9 | -0.4 |
| | Technical result | 102 | 83 | 19 | 22.5 |
| | Non-technical result | 71 | 95 | -24 | -25.3 |
| | Operating result | 173 | 178 | -5 | -3.0 |
| | Result | 63 | 14 | 49 | 352.5 |
| | | | | | |
| | **ERGO Property-casualty Germany** | **1st quarter 2017** | 1st quarter 2016 | Change | |
| | | | | Absolute/Percentage points | in % |
| | Gross premiums written | 1,240 | 1,219 | 20 | 1.7 |
| | Combined ratio in % | 99.1 | 98.6 | 0.5 | |
| | Technical result | 16 | 14 | 1 | 9.0 |
| | Non-technical result | 29 | -48 | 77 | – |
| | Operating result | 44 | -34 | 78 | – |
| | Result | 12 | -25 | 37 | – |
| | | | | | |
| | **ERGO International*** | **1st quarter 2017** | 1st quarter 2016 | Change | |
| | | | | Absolute/Percentage points | in % |
| | Gross premiums written | 1,315 | 1,335 | -19 | -1.5 |
| | Combined ratio in % | 96.3 | 94.3 | 2.0 | |
| | Technical result | 45 | 28 | 16 | 57.8 |
| | Non-technical result | 7 | 33 | -27 | -79.2 |
| | Operating result | 52 | 62 | -10 | -16.5 |
| | Result | 16 | -1 | 18 | – |
| | | | | | |
| **Shares** | | **1st quarter 2017** | 1st quarter 2016 | Change | |
| | | | | Absolute | in % |
| Earnings per share in € | | 3.55 | 2.65 | 0.90 | 34.0 |

* Previous year's figures adjusted owing to changes in the composition of the reporting segments