

Munich, 07 August 2014  
**Press release**

**Munich Re confirms profit guidance for 2014 –  
 Profit of €0.8bn in second quarter**

Contact  
 Media Relations Munich,  
 Johanna Weber  
 Tel.: +49 (89) 3891-2695  
 Fax: +49 (89) 3891-72695  
 jweber@munichre.com

**Münchener Rückversicherungs-  
 Gesellschaft**  
 Aktiengesellschaft in München  
 Media Relations  
 Königinstraße 107  
 80802 München  
 Germany  
 Letters: 80791 München

www.munichre.com  
<http://twitter.com/munichre>

**Munich Re posted a consolidated profit of €769m for the second quarter of 2014 (same period last year: €542m); the profit for the first half-year amounted to €1,694m (1,512m). Performance in primary insurance and reinsurance was good as a whole, although the second quarter was marked by a random incidence of above-average major losses totalling around €617m. For the current financial year, Munich Re is continuing to aim for a profit of €3bn.**

CEO Nikolaus von Bomhard was satisfied with the result and emphasised the importance of a risk-commensurate underwriting policy in the current market phase. For Munich Re, he said, price discipline and consistent cycle management were imperative in the present environment; besides this, Munich Re was increasingly developing individually structured coverage concepts for clients. Von Bomhard's core message: "We are choosing to forgo volume in those classes of business and regions where keen competition over prices, terms and conditions has had a particularly severe impact. At the same time, we are expanding our business with customised solutions. Our shareholders can rest assured that we are managing their investment responsibly." In this market phase, Munich Re is benefiting from its broad diversification both in reinsurance and in the Group as whole. "Our strategy remains geared to making profits through our underwriting business, not through risky investments", von Bomhard affirmed. Despite the difficult business environment, he was optimistic about achieving the profit target of €3bn for the year.

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

Although the technical result was lower, the operating result of €1,145m for the second quarter was above the figure for the same quarter last year (€706m). The amount posted under "other non-operating result" showed a decrease of €84m to –€225m (–141m), mainly due to negative foreign-exchange effects. Taxes on income totalled €93m (previous year: tax income of €52m). Despite the dividend payment of over €1.25bn and share buy-backs totalling €256mn in the second quarter, equity capital showed a rise of 5.5% to €27.7bn compared with the year-end figure (€26.2bn), mainly thanks to the high quarterly profit and the positive development of on-balance-sheet net unrealised gains on investments. Since the Annual General Meeting at the end of April, shares with a

volume of around €240m have been repurchased as part of the follow-up share buy-back programme announced in March.

The annualised return on risk-adjusted capital (RORAC) in the first six months amounted to 14.1%, thus coming pleasingly close to the target of 15%. The return on equity (RoE) totalled 12.5%.

Gross premiums written in the second quarter showed a decrease of 7.4% to €11.9bn (12.8bn). If exchange rates had remained the same, premium volume would have fallen by 4.1% year on year.

### **Reinsurance: Result of €634m in second quarter**

In reinsurance business, the operating result for the second quarter came to €846m (423m). The business field of reinsurance accounted for €634m (367m) of the Group consolidated result for the second quarter. Reinsurance contributed a result of €1,384m (1,195m) for the period from January to June.

In the period from April to June, gross premiums written fell by 7.9% year on year to €6.6bn (7.1bn). If exchange rates had remained the same, premium volume would have fallen by 3.4%. In the life reinsurance segment, gross premiums written decreased in the second quarter by 17.6% to €2,467m (2,994m), while premiums in property-casualty reinsurance showed a total reduction of 0.9% to €4,097m (4,135m). The development of the euro exchange rate, with a stronger euro than in the second quarter of 2013, had a distinctly negative impact on premium.

The combined ratio in property-casualty reinsurance was 101.4% (99.3%) of net earned premiums for the second quarter, and 94.1% (92.4%) for the first half-year. After a first quarter with low costs for major losses, the second quarter was marked by a high random incidence of man-made major losses. Altogether, expenditure for major losses totalled €617m (605m) in the second quarter. Major-loss expenditure amounted to 1.0% (2.6%) of net earned premiums in the first quarter, 15.4% (15.2%) in the second quarter, and 8.2% (8.8%) in the first half-year.

Expenditure for natural catastrophes totalled €291m (314m) in the second quarter. By far the most expensive natural catastrophe – €180m according to current estimates – was a severe snowstorm in Japan that occurred in February. Owing to late-reported claims, these losses were not accounted for until the second quarter. In April, a powerful earthquake off the coast of northern Chile wreaked considerable damage, for which Munich Re currently anticipates net expenditure of around €50m. Moreover, in May unusually heavy rainfall led to substantial floods in Serbia, Bosnia-Herzegovina and Croatia, for which Munich Re expects net expenditure of €40m. Altogether, man-made losses totalled €326m (291m) in the second quarter. Following the complex salvage operations, Munich Re now estimates its overall claims burden from the accident involving cruise ship Costa Concordia in 2012 to be around €120m (previous estimate last year: €100m). As claims notifications remained significantly below the expected level overall, reserve releases of around €180m were made. This represents

some 4.5 percentage points of the combined ratio for the second quarter. For the first half-year, reserves totalling around €320m, or approximately 4.0% of net earned premiums, were thus released.

The renewals at 1 July 2014 mainly involved treaty business from the USA, Australia and Latin America, with a premium volume of around €2.0bn up for renewal. As a consequence of cycle management, the premium volume in this renewal round fell by a good 7%, this figure including a price reduction of around 3.6 percentage points. Torsten Jeworrek, Munich Re's Reinsurance CEO: "Thanks to our strict cycle management, our portfolio remains profitable even after the recent renewal rounds."

**Primary insurance: Result of €104m in second quarter**

The operating result for the primary insurance segment from April to June was €245m (223m), while the consolidated result for the second quarter came to €104m (149m). Primary insurance generated a result of €258m (266m) for the period from January to June. The ERGO Insurance Group posted a result of €133m (116m) in the second quarter.

At 96.0% of net earned premiums, the combined ratio in property-casualty insurance in the second quarter was a little better than the previous year (96.1%); for the half-year, it was 95.5% (96%). In the second quarter, the combined ratio in international property-casualty insurance improved to 97.5% (98.0%). In German business, it amounted to 95.1% (95.0%) for the same period.

Total premium income across all lines of business increased by 1.8% in the second quarter of 2014 and came to €4,458m (4,378m), while gross premiums written were up by 1.9% to €4,053m (3,977m) in this period. Whereas premium income in life insurance fell in Germany, it increased in international business. Premium income in property-casualty insurance and health was almost at the level of the previous year.

By the end of the second quarter, the new generation of life insurance products developed by ERGO had been on the German market for a year. These products, which are offered in two variants, were bought around 21,000 times over this period. ERGO CEO Torsten Oletzky commented: "The new product range has become well established. Its share of annuity policies sold by us in private-client business not sponsored by the state is now more than 70%. However, we are concerned that in general people are neglecting to make provision for old age. In light of the low interest rates paid on all forms of investment, many people are delaying decisions on long-term provision. But the life expectancy trend and development of state pensions mean that this is not wise. Anyone wishing to be well provided for in old age needs to start making provision in good time."

**Munich Health: Result of €22m in second quarter**

Munich Health's operating result in the second quarter was €35m (52m), and the consolidated result for the same period was €22m (31m). Munich Health generated a result of €42m (68m) for the period from January to June.

At €1,239m (1,703m), gross premiums written in the second quarter fell year on year. Owing mainly to the sale of the Windsor Health Group (WHG), premiums in primary insurance decreased by 36.3% to €298m (468m). In reinsurance, the decline of 23.8% to €941m (1,235m) was mainly attributable to adverse currency translation effects, and to a reduction of Munich Re's share in a large-volume treaty in North America. If exchange rates had remained the same, and adjusted for the sale of WHG, Munich Health's gross premiums would have decreased overall by 11.3% in comparison with the second quarter of 2013.

The combined ratio was 98.8% (98.4%) for April to June, and 99.3% (98.9%) for the first half-year.

**Investments: Investment result of €2.6bn in second quarter**

At €217.3bn (229.3bn at market values), total investments at 30 June 2014 increased by €7.8bn or 3.7%. Off-balance-sheet unrealised valuation reserves rose by €8.7bn to €12.5bn compared with the beginning of the year. There were only small shifts between asset classes compared with year-end 2013. 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 85% at market value. Equities accounted for 4.4% (31.12.2013: 4.6%) and 4.0% after hedging (31.12.2013: 4.5%), and real estate for 2.4% (31.12.2013: 2.5%).

For the period April to June 2014, the Group's investment result showed a year-on-year improvement of nearly two-thirds to €2.6bn (1.6bn). The result represents an annualised return of 4.5%.

In the write-ups and write-downs of its investments, Munich Re posted net write-ups of €156m in the second quarter (net write-downs of €342m in the previous year), particularly on interest-rate and equity derivatives. The main reason for the higher net result compared with the previous year is that in an environment of falling interest rates, the market value of interest-rate hedges appreciated significantly. Net gains on the disposal of investments in the second quarter amounted to €441m (139m). The year-on-year improvement in the result from disposals was due chiefly to distinctly higher gains realised in Munich Re's equity portfolio, particularly in reinsurance.

The Group's asset manager is MEAG, whose assets under management as at 30 June 2014 included not only Group investments but also segregated and retail funds totalling €13.2bn (12.9bn).

**Outlook for 2014: Result of €3bn remains the target**

For the financial year 2014, the Group now projects that its gross premiums written will be around €48bn. It anticipates gross premium income of just over €26bn in reinsurance, although currency translation effects could potentially continue to have a considerable impact on this estimate. In primary insurance, gross premiums written are expected to total somewhat more than €16.5bn. Overall premium income in primary insurance (including the savings premiums

of unit-linked life insurance and capitalisation products) should be around €18bn. Gross premiums written of slightly below €5.5bn are projected for Munich Health.

For property-casualty reinsurance, Munich Re now anticipates a combined ratio of around 95% of net earned premiums. The deterioration compared with the original expectation of around 94% is largely attributable to the above-average major-loss expenditure in the second quarter, but also to the effects of price reductions and a change in the portfolio mix, with an increased share of long-tail casualty business. In property-casualty primary insurance, the combined ratio for 2014 should be approximately 95%. The combined ratio for Munich Health is likely to be around 99%.

Munich Re expects a continuation of the low interest-rate levels in 2014 and hence somewhat lower regular income from fixed-interest investments. Overall, the Group anticipates a return on investment of around 3.5%.

The consolidated result in reinsurance should total between €2.3bn and €2.5bn in 2014. For the primary insurance segment, Munich Re projects a consolidated result for 2014 in the range of €400–500m, with €350–450m for the ERGO Group. The difference between the consolidated result targets for the primary insurance segment and ERGO is mainly attributable to intra-Group business between primary insurance and reinsurance. Munich Re is targeting a profit of around €100m for Munich Health.

The Group is aiming for a consolidated result of €3bn, subject to claims experience with regard to major losses being within normal bounds and to its income statement not being impacted by severe exchange-rate or capital market developments, changes in fiscal parameters, or other exceptional factors.

Note for the editorial staff:  
For further questions please contact

Media Relations Munich, Johanna Weber  
Tel.: +49 (89) 3891-2695

Media Relations Asia, Nikola Kemper  
Tel.: +852 2536 6936

Media Relations North America:  
Beate Monastiridis-Dörr  
Tel.: +1 (609) 235-8699  
Terese Rosenthal  
Tel.: +1 (609) 243-4339

**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 2013, the Group – which combines primary insurance and reinsurance under one roof – achieved a profit of €3.3bn on premium income of over €51bn. It operates in all lines of insurance, with almost 45,000 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 major 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 2013, ERGO posted premium income of €18bn. In

07 August 2014  
**Press release**  
Page 6/10

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 €209bn 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, 07 August 2014

**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 2014*</b>						
(in €m unless otherwise indicated)						
		2nd quarter 2014	2nd quarter 2013	Change		
				Absolute	in %	
Gross premiums written		11,856	12,809	-953	-7.4	
Net earned premiums		11,705	12,605	-900	-7.1	
Net expenses for claims and benefits		10,135	10,065	70	0.7	
Technical result		464	620	-156	-25.2	
Investment result		2,567	1,556	1,011	65.0	
Thereof	Realised gains	1,032	845	187	22.1	
	Realised losses	591	706	-115	-16.3	
Non-technical result		681	86	595	691.9	
Operating result		1,145	706	439	62.2	
Net finance costs		-58	-75	17	22.7	
Taxes on income		93	-52	145	-	
Consolidated profit		769	542	227	41.9	
Thereof attributable to	Munich Reinsurance Company equity holders	765	528	237	44.9	
	Minority interests	4	14	-10	-71.4	
<b>Reinsurance</b>						
		2nd quarter 2014	2nd quarter 2013	Change		
				Absolute	in %	
Gross premiums written		6,564	7,129	-565	-7.9	
Technical result		341	417	-76	-18.2	
Non-technical result		505	6	499	>1,000.0	
Operating result		846	423	423	100.0	
Result		634	367	267	72.8	
Thereof	<b>Reinsurance – Life</b>		2nd quarter 2014	2nd quarter 2013	Change	
					Absolute	in %
	Gross premiums written		2,467	2,994	-527	-17.6
	Technical result		103	96	7	7.3
	Non-technical result		93	-1	94	-
	Operating result		196	95	101	106.3
	Result		132	61	71	116.4
	<b>Reinsurance – Property-casualty</b>		2nd quarter 2014	2nd quarter 2013	Change	
					Absolute	in %
Gross premiums written		4,097	4,135	-38	-0.9	
Combined ratio in %		101.4	99.3	2.1		
Technical result		238	321	-83	-25.9	
Non-technical result		412	7	405	>1,000.0	
Operating result		650	328	322	98.2	
Result		502	306	196	64.1	

07 August 2014  
 Press release  
 Page 8/10

<b>Primary insurance*</b>		<b>2nd quarter 2014</b>	2nd quarter 2013	Change	
				Absolute	in %
Gross premiums written		<b>4,053</b>	3,977	76	1.9
Technical result		<b>99</b>	171	-72	-42.1
Non-technical result		<b>146</b>	52	94	180.8
Operating result		<b>245</b>	223	22	9.9
Result		<b>104</b>	149	-45	-30.2
Thereof	<b>Primary insurance – Life</b>	<b>2nd quarter 2014</b>	2nd quarter 2013	Change	
				Absolute	in %
	Gross premiums written	<b>1,393</b>	1,301	92	7.1
	Technical result	<b>-73</b>	-2	-71	<-1.000
	Non-technical result	<b>123</b>	10	113	>1,000
	Operating result	<b>50</b>	8	42	525.0
	Result	<b>38</b>	41	-3	-7.3
	<b>Primary insurance – Health</b>	<b>2nd quarter 2014</b>	2nd quarter 2013	Change	
				Absolute	in %
	Gross premiums written	<b>1,421</b>	1,436	-15	-1.0
	Technical result	<b>78</b>	84	-6	-7.1
	Non-technical result	<b>6</b>	-6	12	-
	Operating result	<b>84</b>	78	6	7.7
	Result	<b>46</b>	38	8	21.1
	<b>Primary insurance – Property-casualty</b>	<b>2nd quarter 2014</b>	2nd quarter 2013	Change	
				Absolute	in %
	Gross premiums written	<b>1,239</b>	1,240	-1	-0.1
	Combined ratio in %	<b>96.0</b>	96.1	-0.1	
	Technical result	<b>94</b>	89	5	5.6
	Non-technical result	<b>17</b>	48	-31	-64.6
Operating result	<b>111</b>	137	-26	-19.0	
Result	<b>20</b>	70	-50	-71.4	
<b>Munich Health</b>		<b>2nd quarter 2014</b>	2nd quarter 2013	Change	
				Absolute	in %
Gross premiums written		<b>1,239</b>	1,703	-464	-27.2
Combined ratio in %		<b>98.8</b>	98.4	0.4	
Technical result		<b>24</b>	32	-8	-25.0
Non-technical result		<b>11</b>	20	-9	-45.0
Operating result		<b>35</b>	52	-17	-32.7
Result		<b>22</b>	31	-9	-29.0
<b>Shares</b>		<b>2nd quarter 2014</b>	2nd quarter 2013	Change	
				Absolute	in %
Earnings per share in €		<b>4.43</b>	2.94	1.49	50.7

\* Previous year's figures adjusted owing to IAS 8.

<b>Key figures (IFRS) for the Group in the first six months of 2014*</b>					
(in €m unless otherwise indicated)					
		Q1–Q2 2014	Q1–Q2 2013	Change	
				Absolute	in %
Gross premiums written		<b>24,780</b>	26,093	-1,313	-5.0
Net earned premiums		<b>23,600</b>	24,701	-1,101	-4.5
Net expenses for claims and benefits		<b>20,126</b>	19,645	481	2.4
Technical result		<b>1,661</b>	1,886	-225	-11.9
Investment result		<b>4,637</b>	3,563	1,074	30.1
Thereof	Realised gains	<b>1,913</b>	1,531	382	25.0
	Realised losses	<b>960</b>	1,068	-108	-10.1
Non-technical result		<b>791</b>	190	601	316.3
Operating result		<b>2,452</b>	2,076	376	18.1
Net finance costs		<b>-114</b>	-143	29	20.3
Taxes on income		<b>306</b>	390	-84	-21.5
Consolidated profit		<b>1,693</b>	1,512	181	12.0
Thereof attributable to	Munich Reinsurance Company equity holders	<b>1,684</b>	1,491	193	12.9
	Minority interests	<b>9</b>	21	-12	-57.1
		<b>30 June 2014</b>	31 December 2013		
Investments		<b>217,274</b>	209,474	7,800	3.7
Equity		<b>27,672</b>	26,226	1,446	5.5
Employees		<b>43,637</b>	44,665	-1,028	-2.3
<b>Reinsurance</b>		Q1–Q2 2014	Q1–Q2 2013	Change	
				Absolute	in %
Gross premiums written		<b>13,422</b>	14,096	-674	-4.8
Technical result		<b>1,267</b>	1,508	-241	-16.0
Non-technical result		<b>570</b>	35	535	>1,000.0
Operating result		<b>1,837</b>	1,543	294	19.1
Result		<b>1,384</b>	1,195	189	15.8
Thereof	<b>Reinsurance – Life</b>	Q1–Q2 2014	Q1–Q2 2013	Change	
				Absolute	in %
	Gross premiums written	<b>4,944</b>	5,563	-619	-11.1
	Technical result	<b>207</b>	305	-98	-32.1
	Non-technical result	<b>111</b>	12	99	825.0
	Operating result	<b>318</b>	317	1	0.3
	Result	<b>235</b>	234	1	0.4
	<b>Reinsurance – Property-casualty</b>	Q1–Q2 2014	Q1–Q2 2013	Change	
				Absolute	in %
	Gross premiums written	<b>8,478</b>	8,533	-55	-0.6
	Combined ratio in %	<b>94.1</b>	92.4	1.7	
	Technical result	<b>1,060</b>	1,203	-143	-11.9
	Non-technical result	<b>459</b>	23	436	>1,000.0
	Operating result	<b>1,519</b>	1,226	293	23.9
	Result	<b>1,149</b>	961	188	19.6

07 August 2014  
 Press release  
 Page 10/10

<b>Primary insurance*</b>		<b>Q1–Q2 2014</b>	Q1–Q2 2013	Change	
				Absolute	in %
Gross premiums written		<b>8,618</b>	8,620	-2	0.0
Technical result		<b>356</b>	333	23	6.9
Non-technical result		<b>171</b>	95	76	80.0
Operating result		<b>527</b>	428	99	23.1
Result		<b>258</b>	266	-8	-3.0
Thereof	<b>Primary insurance – Life</b>	<b>Q1–Q2 2014</b>	Q1–Q2 2013	Change	
				Absolute	in %
	Gross premiums written	<b>2,748</b>	2,658	90	3.4
	Technical result	<b>-42</b>	-36	-6	-16.7
	Non-technical result	<b>181</b>	70	111	158.6
	Operating result	<b>139</b>	34	105	308.8
	Result	<b>82</b>	64	18	28.1
	<b>Primary insurance – Health</b>	<b>Q1–Q2 2014</b>	Q1–Q2 2013	Change	
				Absolute	in %
	Gross premiums written	<b>2,852</b>	2,868	-16	-0.6
	Technical result	<b>203</b>	185	18	9.7
	Non-technical result	<b>-53</b>	-56	3	5.4
	Operating result	<b>150</b>	129	21	16.3
	Result	<b>79</b>	63	16	25.4
	<b>Primary insurance – Property-casualty</b>	<b>Q1–Q2 2014</b>	Q1–Q2 2013	Change	
				Absolute	in %
	Gross premiums written	<b>3,018</b>	3,094	-76	-2.5
	Combined ratio in %	<b>95.5</b>	96.0	-0.5	
Technical result	<b>195</b>	184	11	6.0	
Non-technical result	<b>43</b>	81	-38	-46.9	
Operating result	<b>238</b>	265	-27	-10.2	
Result	<b>97</b>	139	-42	-30.2	
<b>Munich Health</b>		<b>Q1–Q2 2014</b>	Q1–Q2 2013	Change	
				Absolute	in %
Gross premiums written		<b>2,740</b>	3,377	-637	-18.9
Combined ratio in %		<b>99.3</b>	98.9	0.4	
Technical result		<b>38</b>	45	-7	-15.6
Non-technical result		<b>22</b>	55	-33	-60.0
Operating result		<b>60</b>	100	-40	-40.0
Result		<b>42</b>	68	-26	-38.2
<b>Shares</b>		<b>Q1–Q2 2014</b>	Q1–Q2 2013	Change	
				Absolute	in %
Earnings per share in €		<b>9.67</b>	8.32	1.35	16.2
* Previous year's figures adjusted owing to IAS 8.					