

Munich, 15 March 2018  
**Media information**

**Profit guidance of €2.1–2.5bn for 2018 –  
 Share buy-backs to continue**

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**Munich Re has raised its profit guidance compared with the previous year, and is expecting to generate a profit of €2.1–2.5bn for 2018. The Company also announced that it would buy back another €1bn worth of shares before the Annual General Meeting in 2019.**

Joachim Wenning, Chairman of the Board of Management: “Munich Re is again poised for growth. Our target for 2018 is slightly higher than the profit guidance for the previous year. ERGO is making steady progress with the Strategy Programme, and our growth initiatives in reinsurance are benefiting from tailwinds as prices rise. We are investing heavily in digitalisation and are cutting costs to prepare for digital transformation and make Munich Re fit for the future.”

Munich Re is set to continue its shareholder-friendly policy. Despite extremely high natural catastrophe losses in 2017, Munich Re’s Board of Management will propose to shareholders at the Annual General Meeting to pay out an unchanged dividend of €8.60 per share. The Company also announced that it would launch another share buy-back programme to repurchase €1bn worth of shares before the 2019 Annual General Meeting. A buy-back programme of the same scale is ongoing and scheduled to be completed before this year’s Annual General Meeting.

**Outlook for 2018: Group target of €2.1–2.5bn**

Munich Re is aiming for a consolidated result of €2.1–2.5bn. This slightly exceeds the guidance that had been projected for the previous year (initial profit guidance for 2017: €2.0–2.4bn). As always, the profit guidance is subject to major losses being within normal bounds and to our income statement not being subject to severe fluctuations in the currency or capital markets, significant changes in the fiscal environment, or other one-off effects.

In life and health reinsurance, the technical result – including the result from reinsurance treaties recognised in the non-technical result owing to insufficient risk transfer – is expected to amount to at least €475m. In property-casualty reinsurance, Munich Re is aiming for a combined ratio of around 99% in 2018.

For ERGO, Munich Re projects a consolidated result of €250–300m. The combined ratio for the ERGO Property-casualty Germany segment should be

around 96% in 2018, provided major losses remain within normal bounds; in the ERGO International segment, the target is a combined ratio of around 97%.

Overall, Munich Re expects interest rates to increase slightly in 2018, especially in the USA, where it transacts a lot of reinsurance business. Accordingly, the reinsurance field of business should see an end to the falling running yield this year. However, a rise in interest rates would reduce valuation reserves and generally lead to lower gains on disposal. Altogether, Munich Re expects an investment result of slightly more than €7bn, representing a return on investments of about 3%.

Assuming exchange rates remain stable, the Group anticipates that its gross premiums written for the 2018 financial year will be in the range of €46–49bn. Gross premium in 2018 is expected to be in the order of €29–31bn for the reinsurance field of business, and €17–18bn for the ERGO field of business. Total premium income in the ERGO field of business (including the savings premiums of unit-linked life insurance and capitalisation products) should amount to €18–19bn in 2018.

#### **Proposals for election to the Supervisory Board**

The Supervisory Board of Munich Re held a meeting yesterday to decide on its proposals for resolution by the Annual General Meeting on 25 April 2018.

The Supervisory Board proposes that Kurt Bock (59) should be elected by the Annual General Meeting to succeed Ron Sommer (68), who will step down from the Supervisory Board with effect from 25 April 2018. The Supervisory Board proposes that Bock be elected for the remainder of Ron Sommer's term of office, which ends at the close of the 2019 Annual General Meeting.

The Supervisory Board proposes that Maximilian Zimmerer (59) be elected by the Annual General Meeting to succeed Peter Gruss (68), who stepped down from the Supervisory Board with effect from 30 June 2017. Zimmerer has held a seat on Munich Re's Supervisory Board since the beginning of July 2017, when he was appointed a Supervisory Board member by the Local Court (Amtsgericht) in Munich. The Supervisory Board proposes that Zimmerer be elected for the remainder of Peter Gruss's term of office, which ends at the close of the 2019 Annual General Meeting.

Besides this, the Supervisory Board approved the Board of Management's dividend proposal to be submitted to the Annual General Meeting.

#### **Summary of the figures for the 2017 financial year**

Munich Re achieved an operating result of €1,241m in 2017 (previous year: €4,025m). The currency result amounted to –€294m (485m). There was tax income of €298m (previous year: tax expenditure of €760m) for the full financial year, mainly owing to the adverse impact from natural catastrophes. In the fourth quarter, the US tax reform led to tax relief of more than €70m.

Equity capital fell by around €3.6bn to €28.2bn in 2017 (31 December 2016: €31.8bn). The return on risk-adjusted capital (RORAC) – which serves as the key performance indicator for profitability in terms of risk capital requirements – was only 1.5% (10.9%), whilst the return on equity (RoE) amounted to 1.3% (8.1%). Gross premiums written by the Group increased slightly in 2017 to €49,115m (48.851m).

Taking account of dividends and potential capital measures in 2018, the solvency ratio under Solvency II as at 31 December 2017 – calculated on a like-for-like basis – was almost unchanged at 244% (31 December 2016: 242%).

CFO Jörg Schneider said: “Munich Re’s capitalisation continues to be very strong. We have a high solvency ratio and low debt leverage. This gives us the financial strength we need to pursue profitable growth.”

#### **Premium growth and price increases at the January renewals**

Torsten Jeworrek, member of Munich Re’s Board of Management, said: “Reinsurance prices increased at the January renewals, particularly in the markets affected by natural catastrophes. We expect this trend to continue in the renewal rounds yet to come.”

The reinsurance field of business contributed €120m (2,540m) to the consolidated result. The operating result fell from €2,919m to €73m. Gross premiums written increased slightly to €31,569m (31,463m).

Life and health reinsurance contributed €596m (515m) to the consolidated result. The technical result, including the result from business not recognised in the technical result owing to insufficient risk transfer, was €428m (561m). Thanks to a strong technical result in the fourth quarter, life and health reinsurance fell only slightly short of its target of €450m for 2017 as a whole – despite the result being impacted by the recapture of loss-making portfolios in the USA in the second and third quarters.

Due to high natural catastrophe losses, the result in property-casualty reinsurance declined to –€476m (2,025m). For the same reason, the combined ratio for 2017 deteriorated to 114.1% (95.7%). Adjusted for commissions, Munich Re’s customary review of reserves resulted in a reduction in the provisions for claims from prior years of around €370m for the full year, which is equivalent to around 5.2 percentage points of the combined ratio. Munich Re still aims to set the amount of provisions for newly emerging claims at the top end of the estimation range, so that profits from the release of a portion of these reserves are possible at a later stage.

Total major-loss expenditure for 2017 amounted to €4,314m (1,542m). This was equivalent to 25.8% (9.1%) of net earned premiums, and was thus well above the average expected figure of 12% for the full year. The cost of natural catastrophe losses for the full year was €3,678m (929m). Hurricanes Harvey, Irma and Maria – with a total loss of €2.7bn – were the most expensive loss events of the year. Man-made major losses were slightly above the level of the

previous year, and totalled €636m (613m). This figure is equivalent to 3.8% (3.6%) of net earned premiums.

**ERGO: Profit guidance exceeded**

Markus Rieß, Chairman of the ERGO Board of Management: “ERGO is well on its way to becoming fit, digital and successful. The Strategy Programme is steering the right course, and progressing at the right speed. It makes me feel confident about the challenges lying ahead.”

In 2017, ERGO reported a profit of €273m. It thus exceeded the profit guidance, which had been raised halfway through the year to a range of €200–250m. The operating result amounted to €1,168m (1,106m). The gratifying result for the year was mainly attributable to a significantly improved technical result in Germany and abroad.

Gross premiums written increased slightly to €17,546m (17,388m) in 2017. Total premium income across all lines of business amounted to €18,548m (18,589m). In the Life and Health Germany segment, gross premium volume saw a slight increase to €9,210m (9,177m). In the Property-casualty Germany segment, gross premium was up by 3.1% to €3,293m (3,194m). The ERGO International segment posted a marginal rise to €5,043m (5,018m).

The combined ratio for ERGO Property-casualty Germany was 97.5% (97.0%) for the full year. The combined ratio for the ERGO International segment improved significantly to 95.3% (98.0%) for the full year, mainly on account of positive developments in Poland.

**Investments: Result of €7,611m**

The Group’s investment result (excluding insurance-related investments) remained nearly constant at €7,611m (7,567m). Changes in the value of derivatives had a negative effect of €470m (713m) for the year. The balance of gains and losses on disposals excluding derivatives, on the other hand, was positive at €2,494m (2,603m). Considering the situation in the capital markets, the investment result for 2017 represents a high annualised return of 3.2% (3.2%). Our reinvestment yield in the fourth quarter was 1.9% (1.8%).

Munich Re’s equity-backing ratio (including equity-linked derivatives) at 31 December 2017 increased to 6.7% (31 December 2016: 4.9%). 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 86% at market value.

As at 31 December 2017, Group investments (excluding insurance-related investments) under the management of MEAG, the Group’s asset manager, had a carrying amount of €218bn (222bn) and a market value of €232bn (previous year: €238bn). As well as the Group’s own investments, MEAG also managed segregated and retail funds totalling €15.9bn (19.2bn) for third parties.

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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 2017, the Group – which combines primary insurance and reinsurance under one roof – achieved a profit of €0.4bn. It operates in all lines of insurance, with over 42,000 employees throughout the world. With premium income of around €32bn 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 2017, ERGO posted premium income of €17.5bn. Munich Re's global investments (excluding insurance-related investments) amounting to €218bn 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, 15 March 2018

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<b>Key figures (IFRS) for the Group in the fourth quarter of 2017*</b>						
(in €m unless otherwise indicated)						
		<b>4th quarter 2017</b>	4th quarter 2016	Change		
				Absolute	in %	
Gross premiums written		12,112	12,070	42	0.3	
Net earned premiums		11,852	12,084	-232	-1.9	
Net expenses for claims and benefits		-9,746	-9,733	-14	-0.1	
Technical result		364	503	-139	-27.6	
Investment result		1,982	1,625	357	22.0	
Thereof	Realised gains	847	958	-111	-11.6	
	Realised losses	-92	-178	86	48.3	
Insurance-related investment result		146	267	-121	-45.2	
Non-technical result		500	320	180	56.5	
Operating result		864	823	42	5.0	
Net finance costs		-52	-57	6	9.7	
Taxes on income		-4	-137	133	96.8	
Consolidated profit		538	486	52	10.8	
Thereof attributable to	Shareholders of Munich Reinsurance Company	530	491	39	8.0	
	Minority interests	8	-5	13	-	
<b>Reinsurance</b>						
		<b>4th quarter 2017</b>	4th quarter 2016	Change		
				Absolute	in %	
Gross premiums written		7,799	7,838	-39	-0.5	
Technical result		264	433	-169	-39.0	
Non-technical result		259	78	180	229.7	
Operating result		523	511	11	2.2	
Result		490	396	94	23.7	
Thereof	<b>Life and health reinsurance</b>		<b>4th quarter 2017</b>	4th quarter 2016	Change	
					Absolute	in %
	Gross premiums written		3,480	3,745	-264	-7.1
	Technical result		144	216	-72	-33.2
	Non-technical result		94	22	72	334.6
	Operating result		238	237	1	0.3
	Result		299	132	167	125.9
	<b>Property-casualty reinsurance</b>		<b>4th quarter 2017</b>	4th quarter 2016	Change	
					Absolute	in %
	Gross premiums written		4,319	4,093	226	5.5
	Combined ratio in %		103.9	101.9	2.1	
	Technical result		120	217	-97	-44.8
	Non-technical result		165	57	108	189.9
	Operating result		285	274	11	3.9
Result		191	264	-73	-27.7	

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<b>ERGO</b>		<b>4th quarter 2017</b>	4th quarter 2016	Change		
				Absolute	in %	
Gross premiums written		4,312	4,232	81	1.9	
Technical result		100	70	30	42.7	
Non-technical result		241	241	0	0.1	
Operating result		342	311	30	9.7	
Result		48	90	-41	-46.1	
Thereof	<b>ERGO Life and Health Germany</b>	<b>4th quarter 2017</b>	4th quarter 2016	Change		
				Absolute	in %	
	Gross premiums written		2,345	2,354	-9	-0.4
	Technical result		184	141	43	30.9
	Non-technical result		58	-52	110	-
	Operating result		242	89	154	173.4
	Result		66	95	-28	-30.1
	<b>ERGO Property-casualty Germany</b>		<b>4th quarter 2017</b>	4th quarter 2016	Change	
					Absolute	in %
	Gross premiums written		675	628	47	7.4
	Combined ratio in %		100.3	100.0	0.3	
	Technical result		16	15	1	6.1
	Non-technical result		32	27	5	19.7
	Operating result		48	42	6	14.7
	Result		-7	11	-18	-
	<b>ERGO International</b>		<b>4th quarter 2017</b>	4th quarter 2016	Change	
					Absolute	in %
	Gross premiums written		1,292	1,250	42	3.4
Combined ratio in %		94.7	100.2	-5.5		
Technical result		-100	-86	-14	-16.8	
Non-technical result		151	267	-115	-43.2	
Operating result		51	181	-130	-71.7	
Result		-11	-16	5	29.7	
<b>Shares</b>		<b>4th quarter 2017</b>	4th quarter 2016	Change		
				Absolute	in %	
Earnings per share in €		3.49	3.12	0.37	12.0	
* Previous year's figures adjusted owing to changes in segment allocation and IAS 8.						

<b>Key figures (IFRS) for the Group in the 2017 financial year*</b>						
(in €m unless otherwise indicated)						
		2017	2016	Change		
				Absolute	in %	
Gross premiums written		49,115	48,851	264	0.5	
Net earned premiums		47,164	47,118	46	0.1	
Net expenses for claims and benefits		-41,645	-38,498	-3,148	-8.2	
Technical result		-292	2,715	-3,007	-	
Investment result		7,611	7,567	44	0.6	
Thereof	Realised gains	3,006	3,660	-654	-17.9	
	Realised losses	-512	-1,057	545	51.6	
Insurance-related investment result		443	326	117	35.8	
Non-technical result		1,533	1,310	223	17.0	
Operating result		1,241	4,025	-2,784	-69.2	
Net finance costs		-211	-219	8	3.4	
Taxes on income		298	-760	1,058	-	
Consolidated profit		392	2,581	-2,189	-84.8	
Thereof attributable to	Shareholders of Munich Reinsurance Company	375	2,580	-2,205	-85.5	
	Minority interests	17	1	16	>1,000.0	
		<b>31.12.2017</b>	31.12.2016			
Investments (excluding insurance-related investments)		217,562	221,752	-4,190	-1.9	
Equity capital		28,198	31,785	-3,586	-11.3	
Staff		42,410	43,428	-1,018	-2.3	
<b>Reinsurance</b>						
		<b>2017</b>	2016	Change		
				Absolute	in %	
Gross premiums written		31,569	31,463	106	0.3	
Technical result		-885	2,378	-3,263	-	
Non-technical result		958	541	417	77.2	
Operating result		73	2,919	-2,846	-97.5	
Result		120	2,540	-2,420	-95.3	
Thereof	<b>Life and health reinsurance</b>		<b>2017</b>	2016	Change	
					Absolute	in %
	Gross premiums written		13,726	13,637	89	0.7
	Technical result		376	520	-143	-27.6
	Non-technical result		331	116	216	186.3
	Operating result		708	635	72	11.4
	Result		596	515	81	15.7
	<b>Property-casualty reinsurance</b>		<b>2017</b>	2016	Change	
					Absolute	in %
	Gross premiums written		17,843	17,826	17	0.1
	Combined ratio in %		114.1	95.7	18.3	-
	Technical result		-1,261	1,859	-3,120	-
	Non-technical result		627	425	202	47.4
	Operating result		-635	2,284	-2,918	-
	Result		-476	2,025	-2,501	-

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<b>ERGO</b>		<b>2017</b>	2016	Change		
				Absolute	in %	
	Gross premiums written	17,546	17,388	158	0.9	
	Technical result	593	337	256	76.0	
	Non-technical result	574	769	-195	-25.3	
	Operating result	1,168	1,106	62	5.6	
	Result	273	41	232	568.2	
Thereof	<b>ERGO Life and Health Germany</b>	<b>2017</b>	2016	Change		
				Absolute	in %	
		Gross premiums written	9,210	9,177	33	0.4
		Technical result	435	270	164	60.8
		Non-technical result	270	357	-87	-24.3
		Operating result	705	627	78	12.4
		Result	175	114	61	54.0
		<b>ERGO Property-casualty Germany</b>	<b>2017</b>	2016	Change	
					Absolute	in %
		Gross premiums written	3,293	3,194	100	3.1
		Combined ratio in %	97.5	97.0	0.5	
		Technical result	138	139	0	-0.3
		Non-technical result	105	-11	116	-
		Operating result	244	128	116	90.3
		Result	57	-72	129	-
		<b>ERGO International</b>	<b>2017</b>	2016	Change	
					Absolute	in %
		Gross premiums written	5,043	5,018	25	0.5
		Combined ratio in %	95.3	98.0	-2.7	
		Technical result	20	-72	92	-
		Non-technical result	199	423	-224	-52.9
		Operating result	219	351	-131	-37.4
		Result	40	-1	42	-
	<b>Shares</b>		<b>2017</b>	2016	Change	
					Absolute	in %
		Earnings per share in €	2.44	16.13	-13.69	-84.9
	* Previous year's figures adjusted owing to changes in segment allocation and IAS 8.					