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## Press release

### Quarterly result of €738m – Profit guidance for 2014 to be exceeded slightly

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**Munich Re posted a consolidated profit of €2.4bn for the first nine months of 2014 (same period last year: €2.1bn). In the third quarter, the Group realised a profit of €738m (630m). It should thus be possible to exceed the profit guidance of €3bn for 2014 slightly.**

CFO Jörg Schneider was satisfied with the result for the quarter: “Munich Re’s Group performance was pleasing, despite the difficult environment.”

Schneider highlighted Munich Re’s great future potential. “A great number of risks are still underinsured or not insured at all.” Schneider said that regions with high-tech centres, such as Asia, were examples of underinsurance, and liability risks also often lacked sufficient coverage – not only in the case of complex technologies. Weather risks were another growth area mentioned by Schneider – for example profits lost by companies owing to extreme cold or heavy rainfall. “Risk-coverage here is only in the single-digit billions, but economic weather risks worldwide are many times higher than that”, the CFO explained. In primary insurance, he went on, ERGO has made it clear with its new flood policy for buildings in high-risk areas that previously uninsurable risks can now be covered. Munich Re will continue to increasingly use risk expertise based in the world’s most important markets to develop sophisticated risk-transfer solutions and thus exploit opportunities for profitable growth, Schneider said.

With regard to Munich Re’s result target for 2014 as a whole, Schneider emphasised: “There will always be uncertainties – for example, the winter storm season just starting in Europe now. To date, however, losses from hurricanes in the USA and the Caribbean have been rather low. Overall, we consequently now expect to be able to achieve a profit of just over €3bn.”

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

In the third quarter, the operating result of €910m was below the figure for the same quarter last year (1,056m). The amount posted under “other non-operating result” showed an improvement of €282m to –€126m (–408m), because foreign-exchange effects had a significantly lower impact than in the previous year. Overall, the result for the third quarter was marked by various countervailing one-off effects: the performance of derivative financial instruments and negative currency effects had an adverse impact, for example. By contrast, in the third

quarter, tax income was €10m (41m). Equity capital rose by 11.7% to €29.3bn compared with the year-end figure of €26.2bn, mainly thanks to the quarterly profit, the positive development of on-balance-sheet net unrealised gains on investments, and the development of exchange rates. Since the Annual General Meeting at the end of April, shares with a volume of around €540m have been repurchased as part of the share buy-back programme announced in March; for the year as a whole the share buy-back figure is €1,240m.

The annualised return on risk-adjusted capital (RORAC) in the first nine months amounted to 13.6%, thus coming pleasingly close to the target of 15%. The return on equity (RoE) totalled 11.8%.

Gross premiums written decreased in the third quarter by 3.6% to €12.1bn (12.5bn). If exchange rates had remained the same, premium volume would have fallen by 3.0% year on year.

#### **Reinsurance: Profit of €533m in the third quarter**

In reinsurance business, the operating result for the third quarter came to €598m (845m). The reinsurance segment accounted for €533m (511m) of the Group consolidated result for the third quarter. For the period from January to September, reinsurance business generated a result of €1,928m (1,703m).

Gross premiums written in the third quarter decreased by 2.3% year on year to €6.7bn (6.9bn). If exchange rates had remained the same, premium volume would have fallen by 1.7%. In the life reinsurance segment, gross premiums written decreased in the third quarter by 6.9% to €2,449m (2,631m), while premiums in property-casualty reinsurance showed a total increase of 0.5% to €4,284m (4,263m).

The technical result in life reinsurance was €57m (–27m) in the third quarter. Significant expenditure arose from the commutation of individual treaties in the USA, with which Munich Re aims to improve future result development. Apart from this, the results in the other important markets developed as expected or better.

The combined ratio in property-casualty reinsurance was 91.3% (94.3%) of net earned premiums for the third quarter, and 93.2% (93.1%) for the first nine months. In the third quarter, overall loss expenditure for major losses totalled €257m (595m). Major-loss expenditure thus amounted to 6.4% (14.8%) of net earned premiums for the third quarter, and 7.5% (10.8%) for the first nine months.

Expenditure for natural catastrophes was well below Munich Re's expectations in the third quarter at €100m (306m). In September, Hurricane Odile caused severe damage in northwestern Mexico, which Munich Re expects will result in expenditure of around €65m. The month of August saw further sizeable losses from heavy rainfall in various parts of the USA, which will cost Munich Re an estimated €35m. Moreover, adjustments were made for claims events in prior financial years, which offset each other in total. Man-made losses amounted to

€158m (228m) for the period July to September. As claims notifications for so-called basic losses remained significantly below the expected level overall, Munich Re made reserve releases of €160m for the third quarter – in the first nine months that figure was €485m, which is 4% of the net earned premium of each period.

In the forthcoming renewal round at 1 January 2015, slightly more than half of Munich Re's non-life reinsurance business will be up for renewal. Torsten Jeworrek, Munich Re's Reinsurance CEO, stressed: "We will continue to resist pricing pressures and withdraw from business if necessary. In this environment, we can deploy our know-how and capacity better in offering our clients new and intelligent coverage concepts for their differing requirements. Due to the unchanged economic dynamics in Asia in particular, we see good opportunities for profitable growth overall."

**Primary insurance: Profit of €155m in the third quarter**

The operating result for the primary insurance segment from July to September was €251m (170m), while the consolidated result for the third quarter came to €155m (94m). Primary insurance generated a very pleasing result of €413m (360m) for the period from January to September. The ERGO Insurance Group posted a result of €155m (122m) in the third quarter.

At 95.8% of net earned premiums, the combined ratio in property-casualty insurance in the third quarter was considerably better than in the same period last year (99.2%); for the first three quarters, it was 95.6% (97.1%). In the third quarter, the combined ratio in international property-casualty insurance worsened to 100% (97.2%). In German business, it amounted to 93.2% (100.4%) for the same period.

Total premium income across all lines of business remained largely stable in the third quarter of 2014 and came to €4,303m (4,309m), while gross premiums written were up by 0.6% to €4,017m (3,992m) in this period. Whereas premium income in life insurance fell in Germany, it increased in international business. Premium income in property-casualty insurance sank; in the health segment, it was almost at the level of the previous year.

Since September, ERGO has been offering flood protection insurance in all areas of Germany. With its new product line for homeowners' comprehensive insurance, ERGO now also offers insurance cover against flooding and heavy rainfall for all residential buildings that were previously uninsurable owing to extreme exposure to flooding. At present, only around 30% of all residential properties in Germany are insured against the natural hazards of flooding, heavy rainfall and the backwater effect. ERGO CEO Torsten Oletzky commented: "People who live by rivers need insurance that protects their homes. We have developed a product to match that need."

**Munich Health: Profit of €53m in the third quarter**

In the third quarter, Munich Health's operating result was €51m (33m); the consolidated result was €53m (26m). Munich Health generated a result of €95m (94m) for the period from January to September.

At €1,303m, gross premiums written in the third quarter fell year on year (1,611m). Largely owing to the sale of the Windsor Health Group (WHG), premiums in primary insurance decreased by 36.3% to €303m (476m). In reinsurance, the decrease of 11.9% to €1,000m (1,135m) was chiefly attributable to adverse currency translation effects, and to a reduction of Munich Re's share in a large-volume treaty in North America.

The combined ratio for July to September was 96.7% (96.2%); in the first three quarters it was 98.5% (98.0%).

**Investments: Investment result of €1.8bn in the third quarter**

At €223.3bn (237.3bn at market values), total investments at 30 September 2014 increased by €13.8bn or 6.6%. Off-balance-sheet unrealised valuation reserves have risen from €8.3bn to €14.0bn since 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 86% at market value. Equities accounted for 4.2% (31.12.2013: 4.6%) and 3.8% after hedging (31.12.2013: 4.5%), and real estate for 2.4% (31.12.2013: 2.5%).

In the next few years, Munich Re plans to invest up to €8bn in infrastructure, renewable energies and new technologies via its asset manager MEAG, thus expanding its activities in this area significantly. Of this figure, up to €4bn is to go into debt-capital financing.

For the period July to September 2014, the Group's investment result showed a year-on-year decline of 16.4% to €1.8bn (2.1bn). The result represents an annualised return of 3.0%.

In the write-ups and write-downs of its investments, Munich Re posted net write-downs of €223m in the third quarter (net write-downs of €96m in the previous year), particularly on equity and commodity derivatives and on inflation-linked swaps. As with equities and real estate, the affected financial instruments are used in long-term hedging of inflation risks. Net gains on the disposal of investments in the third quarter amounted to €261m (266m).

The Group's asset manager is MEAG, whose assets under management as at 30 September 2014 included not only Group investments but also segregated and retail funds totalling €13.5bn (12.9bn).

**Outlook for 2014: Profit target now just over €3bn**

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 premium income is 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 expects a combined ratio of around 94% of net earned premiums. The improvement of one percentage point compared with the estimate published in the half-year financial report is due to major-loss expenditure in the third quarter that was much lower than expected. Major losses for the first three quarters also remained below expectations. 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%. Munich Re's investment result for 2014 should reach almost €8bn.

The Group projects that the consolidated result for 2014 in reinsurance will exceed the previously envisaged range of €2.3–2.5bn, because Munich Re has already achieved a total of €1.9bn for the first three quarters and also currently anticipates a profitable fourth quarter. Added to this, there may be further relief in the fourth quarter from the adjustment of tax receivables and liabilities. The consolidated result for the ERGO Group is projected to exceed the previously envisaged range of €350–450m: ERGO Group has already reached the upper end of this range for the first three quarters and also currently anticipates a profitable fourth quarter. Added to this, significant relief from the adjustment of tax receivables and liabilities is expected in the fourth quarter. The consolidated result for 2014 projected for Munich Re's primary insurance business field in the half-year report in the range of €400–500m was already achieved with the total of €413m for the first three quarters. A change in segment reporting at the end of the year may result in expenditure for revising Munich Re's intangible asset reporting, which might exceed the potential taxable profits. It is currently not possible to make a reliable forecast – despite the clearly gratifying performance in primary insurance – for either the result of the ERGO Group or for the Group's primary insurance business field.

Munich Re henceforth anticipates a profit marginally higher than the previous target of €100m for Munich Health.

The Group is now aiming for a consolidated result of slightly over €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, and the aforementioned potential one-off factors.

06 November 2014

**Press release**

Page 6/10

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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 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 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, 06 November 2014

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06 November 2014  
**Press release**  
Page 7/10

<b>Key figures (IFRS) for the Group in the third quarter of 2014*</b>						
(in €m unless otherwise indicated)						
		<b>3rd quarter 2014</b>	3rd quarter 2013	Change		
				Absolute	in %	
Gross premiums written		<b>12,053</b>	12,497	-444	-3.6	
Net earned premiums		<b>11,709</b>	12,111	-402	-3.3	
Net expenses for claims and benefits		<b>9,672</b>	10,460	-788	-7.5	
Technical result		<b>958</b>	738	220	29.8	
Investment result		<b>1,755</b>	2,099	-344	-16.4	
Thereof	Realised gains	<b>839</b>	878	-39	-4.4	
	Realised losses	<b>578</b>	612	-34	-5.6	
Non-technical result		<b>-48</b>	318	-366	-	
Operating result		<b>910</b>	1,056	-146	-13.8	
Net finance costs		<b>-56</b>	-59	3	5.1	
Taxes on income		<b>-10</b>	-41	31	75.6	
Consolidated profit		<b>738</b>	630	108	17.1	
Thereof attributable to	Munich Reinsurance Company equity holders	<b>735</b>	631	104	16.5	
	Minority interests	<b>3</b>	-1	4	-	
<b>Reinsurance</b>						
		<b>3rd quarter 2014</b>	3rd quarter 2013	Change		
				Absolute	in %	
Gross premiums written		<b>6,733</b>	6,894	-161	-2.3	
Technical result		<b>714</b>	498	216	43.4	
Non-technical result		<b>-116</b>	347	-463	-	
Operating result		<b>598</b>	845	-247	-29.2	
Result		<b>533</b>	511	22	4.3	
Thereof	<b>Reinsurance – Life</b>		<b>3rd quarter 2014</b>	3rd quarter 2013	Change	
					Absolute	in %
	Gross premiums written		<b>2,449</b>	2,631	-182	-6.9
	Technical result		<b>57</b>	-27	84	-
	Non-technical result		<b>-1</b>	71	-72	-
	Operating result		<b>56</b>	44	12	27.3
	Result		<b>37</b>	-16	53	-
	<b>Reinsurance – Property-casualty</b>		<b>3rd quarter 2014</b>	3rd quarter 2013	Change	
					Absolute	in %
	Gross premiums written		<b>4,284</b>	4,263	21	0.5
	Combined ratio in %		<b>91.3</b>	94.3	-3.0	
	Technical result		<b>657</b>	525	132	25.1
	Non-technical result		<b>-115</b>	276	-391	-
	Operating result		<b>542</b>	801	-259	-32.3
	Result		<b>496</b>	527	-31	-5.9

06 November 2014  
**Press release**  
Page 8/10

<b>Primary insurance*</b>		<b>3rd quarter 2014</b>	3rd quarter 2013	Change	
				Absolute	in %
Gross premiums written		<b>4,017</b>	3,992	25	0.6
Technical result		<b>194</b>	168	26	15.5
Non-technical result		<b>57</b>	2	55	>1,000.0
Operating result		<b>251</b>	170	81	47.6
Result		<b>155</b>	94	61	64.9
Thereof	<b>Primary Insurance – Life</b>	<b>3rd quarter 2014</b>	3rd quarter 2013	Change	
				Absolute	in %
	Gross premiums written	<b>1,349</b>	1,278	71	5.6
	Technical result	<b>2</b>	-10	12	-
	Non-technical result	<b>106</b>	18	88	488.9
	Operating result	<b>108</b>	8	100	>1,000.0
	Result	<b>71</b>	28	43	153.6
	<b>Primary insurance – Health</b>	<b>3rd quarter 2014</b>	3rd quarter 2013	Change	
				Absolute	in %
	Gross premiums written	<b>1,423</b>	1,421	2	0.1
	Technical result	<b>90</b>	117	-27	-23.1
	Non-technical result	<b>-31</b>	-25	-6	-24.0
	Operating result	<b>59</b>	92	-33	-35.9
	Result	<b>53</b>	50	3	6.0
	<b>Primary insurance – Property-casualty</b>	<b>3rd quarter 2014</b>	3rd quarter 2013	Change	
				Absolute	in %
	Gross premiums written	<b>1,245</b>	1,293	-48	-3.7
	Combined ratio in %	<b>95.8</b>	99.2	-3.4	
Technical result	<b>102</b>	61	41	67.2	
Non-technical result	<b>-18</b>	9	-27	-	
Operating result	<b>84</b>	70	14	20.0	
Result	<b>31</b>	16	15	93.8	
<b>Munich Health</b>		<b>3rd quarter 2014</b>	3rd quarter 2013	Change	
				Absolute	in %
Gross premiums written		<b>1,303</b>	1,611	-308	-19.1
Combined ratio in %		<b>96.7</b>	96.2	0.5	
Technical result		<b>50</b>	72	-22	-30.6
Non-technical result		<b>1</b>	-39	40	-
Operating result		<b>51</b>	33	18	54.5
Result		<b>53</b>	26	27	103.8
<b>Shares</b>		<b>3rd quarter 2014</b>	3rd quarter 2013	Change	
				Absolute	in %
Earnings per share in €		<b>4.29</b>	3.52	0.77	21.9
* Previous year's figures adjusted owing to IAS 8.					

06 November 2014  
**Press release**  
Page 9/10

<b>Key figures (IFRS) for the Group in the first nine months of 2014*</b>					
(in €m unless otherwise indicated)					
		<b>Q1–Q3 2014</b>	Q1–Q3 2013	Change	
				Absolute	in %
Gross premiums written		<b>36,833</b>	38,590	-1,757	-4.6
Net earned premiums		<b>35,309</b>	36,812	-1,503	-4.1
Net expenses for claims and benefits		<b>29,784</b>	30,110	-326	-1.1
Technical result		<b>2,633</b>	2,619	14	0.5
Investment result		<b>6,392</b>	5,662	730	12.9
Thereof	Realised gains	<b>2,752</b>	2,409	343	14.2
	Realised losses	<b>1,538</b>	1,680	-142	-8.5
Non-technical result		<b>743</b>	508	235	46.3
Operating result		<b>3,376</b>	3,127	249	8.0
Net finance costs		<b>-170</b>	-202	32	15.8
Taxes on income		<b>298</b>	349	-51	-14.6
Consolidated profit		<b>2,442</b>	2,139	303	14.2
Thereof attributable to	Munich Reinsurance Company equity holders	<b>2,430</b>	2,119	311	14.7
	Minority interests	<b>12</b>	20	-8	-40.0
		<b>30.09.2014</b>	31.12.2013		
Investments		<b>223,268</b>	209,474	13,794	6.6
Equity		<b>29,259</b>	26,188	3,071	11.7
Employees		<b>43,815</b>	44,665	-850	-1.9
<b>Reinsurance</b>		<b>Q1–Q3 2014</b>	Q1–Q3 2013	Change	
				Absolute	in %
Gross premiums written		<b>20,155</b>	20,990	-835	-4.0
Technical result		<b>1,995</b>	2,001	-6	-0.3
Non-technical result		<b>454</b>	382	72	18.8
Operating result		<b>2,449</b>	2,383	66	2.8
Result		<b>1,928</b>	1,703	225	13.2
Thereof	<b>Reinsurance – Life</b>	<b>Q1–Q3 2014</b>	Q1–Q3 2013	Change	
				Absolute	in %
	Gross premiums written	<b>7,393</b>	8,194	-801	-9.8
	Technical result	<b>278</b>	273	5	1.8
	Non-technical result	<b>110</b>	83	27	32.5
	Operating result	<b>388</b>	356	32	9.0
	Result	<b>283</b>	215	68	31.6
	<b>Reinsurance – Property-casualty</b>	<b>Q1–Q3 2014</b>	Q1–Q3 2013	Change	
				Absolute	in %
	Gross premiums written	<b>12,762</b>	12,796	-34	-0.3
	Combined ratio in %	<b>93.2</b>	93.1	0.1	
	Technical result	<b>1,717</b>	1,728	-11	-0.6
	Non-technical result	<b>344</b>	299	45	15.1
	Operating result	<b>2,061</b>	2,027	34	1.7
	Result	<b>1,645</b>	1,488	157	10.6

06 November 2014  
 Press release  
 Page 10/10

<b>Primary insurance*</b>		<b>Q1–Q3 2014</b>	Q1–Q3 2013	Change	
				Absolute	in %
Gross premiums written	<b>12,635</b>	12,612	23	0.2	
Technical result	<b>550</b>	501	49	9.8	
Non-technical result	<b>228</b>	97	131	135.1	
Operating result	<b>778</b>	598	180	30.1	
Result	<b>413</b>	360	53	14.7	
<b>Thereof</b>					
<b>Primary Insurance – Life</b>		<b>Q1–Q3 2014</b>	Q1–Q3 2013	Change	
				Absolute	in %
Gross premiums written	<b>4,097</b>	3,936	161	4.1	
Technical result	<b>-40</b>	-46	6	13.0	
Non-technical result	<b>287</b>	88	199	226.1	
Operating result	<b>247</b>	42	205	488.1	
Result	<b>153</b>	92	61	66.3	
<b>Primary insurance – Health</b>		<b>Q1–Q3 2014</b>	Q1–Q3 2013	Change	
				Absolute	in %
Gross premiums written	<b>4,275</b>	4,289	-14	-0.3	
Technical result	<b>293</b>	302	-9	-3.0	
Non-technical result	<b>-84</b>	-81	-3	-3.7	
Operating result	<b>209</b>	221	-12	-5.4	
Result	<b>132</b>	113	19	16.8	
<b>Primary insurance – Property-casualty</b>		<b>Q1–Q3 2014</b>	Q1–Q3 2013	Change	
				Absolute	in %
Gross premiums written	<b>4,263</b>	4,387	-124	-2.8	
Combined ratio in %	<b>95.6</b>	97.1	-1.5		
Technical result	<b>297</b>	245	52	21.2	
Non-technical result	<b>25</b>	90	-65	-72.2	
Operating result	<b>322</b>	335	-13	-3.9	
Result	<b>128</b>	155	-27	-17.4	
<b>Munich Health</b>					
		<b>Q1–Q3 2014</b>	Q1–Q3 2013	Change	
				Absolute	in %
Gross premiums written	<b>4,043</b>	4,988	-945	-18.9	
Combined ratio in %	<b>98.5</b>	98.0	0.5		
Technical result	<b>88</b>	117	-29	-24.8	
Non-technical result	<b>23</b>	16	7	43.8	
Operating result	<b>111</b>	133	-22	-16.5	
Result	<b>95</b>	94	1	1.1	
<b>Shares</b>					
		<b>Q1–Q3 2014</b>	Q1–Q3 2013	Change	
				Absolute	in %
Earnings per share in €	<b>14.03</b>	11.82	2.21	18.7	
* Previous year's figures adjusted owing to IAS 8.					