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Media Information

High quarterly profit of €827m

Contact
Media Relations
Munich Re (Group)
Jörg Allgäuer
Tel.: +49 (89) 3891-8202
Fax: +49 (89) 3891-78202
jallgaeuer@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>

In the first quarter of 2018, Munich Re achieved a high profit of €827m (€557m) thanks to low major-loss expenditure and a good performance of its underwriting business. For the year as a whole, Munich Re now envisages an improved combined ratio of 97% in property-casualty reinsurance. Its profit guidance of €2.1–2.5bn remains unchanged. The renewals at 1 April again brought a slight increase in prices of 0.8% and an expansion of business by 8.1%.

CFO Jörg Schneider said: “The first quarter was mainly influenced by low major losses in property-casualty reinsurance. We also achieved a good quarterly result in life and health reinsurance and at ERGO. We can be very satisfied with the start to the year.”

Summary of the results for the first quarter

Year on year, the operating result increased to €1,283m (952m). The other non-operating result totalled –€194m (–153m), of which –€68m (–57m) was attributable to the currency translation result. Taxes on income totalled €212m (188m). At €27,191m, equity capital was lower than at the beginning of the year (€28,198m), given that the good quarterly result was offset by negative currency translation effects, share buy-backs and, in particular, the decrease in unrealised gains due to developments in the capital markets.

Gross premiums written increased by 1.6% to €13,126m (12,925m). If exchange rates had remained the same, premium volume would have risen by 7.8% year on year.

The annualised return on risk-adjusted capital (RORAC) amounted to 13.2%. The return on overall equity (RoE) totalled 11.9%.

At 245%, the solvency ratio at the end of the first quarter was somewhat higher than at the beginning of the year (244%).

Reinsurance: Result of €750m

The reinsurance field of business contributed €750m (466m) to the consolidated result. The operating result was €1,059m (683m). Gross premiums written increased by 1.7% to €8,183m (8,046m).

Life and health reinsurance business posted a profit of €159m (126m). Premium income declined to €2,865m (3,488m) owing to the termination of a large-volume treaty and negative currency translation effects. At €155m, the technical result – including the result from business not recognised in the technical result owing to insufficient risk transfer – was almost as good as in the same quarter last year (€158m).

Property-casualty reinsurance contributed €591m (340m) to the consolidated result for the first quarter. Premium volume rose significantly to €5,317m (4,558m), benefiting from organic growth. The combined ratio amounted to a very good 88.6% (97.1%) of net earned premium.

The expenditure from major losses of over €10m each was only €62m (403m); at 1.4% of net earned premium, it was thus significantly below our major-loss projection of 12%. Man-made major losses amounted to €112m (247m). In the first quarter of the year, major-loss expenditure from natural catastrophes was overcompensated by reserve releases for prior-year major losses, resulting in a positive balance of €49m (–156m).

As claims notifications for basic losses from prior years remained appreciably below the expected level overall, Munich Re was able to release reserves (adjusted for commissions) in the amount of around €180m, corresponding to 4.1 percentage points of the combined ratio. Munich Re still aims 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.

In the renewals at 1 April 2018, the trend that had begun to be observed in January continued, with prices increasing in the markets affected by natural catastrophes, but otherwise remaining stable given the still-high capacity levels in the markets. Overall, prices increased by 0.8% in the April renewals. Premium volume rose by 8.1% to around €1.6bn. Select opportunities were taken advantage of in some markets, for instance in India and Japan.

At 1 April 2018, a volume of around €1.4bn was up for renewal, versus €8.3bn in January. Approximately 15% of this business was attributable to the Japanese market, a further 28% to North America and global business, and about 40% to Europe.

ERGO: Result of €77m

In the first quarter of 2018, Munich Re generated a profit of €77m (91m) in the ERGO field of business. A decline in the results for the German business segments, mainly owing to lower realised capital gains and high storm losses, was largely compensated for by an improved result in the ERGO International segment. The operating result was down slightly to €224m (269m).

The combined ratio in the Property-casualty Germany segment deteriorated to 101.7% (99.1%), in particular on account of high claims expenditure for Winter Storm Friederike. By contrast, the combined ratio in the International segment improved to 95.3% (96.3%).

In the first quarter, total premium income across all lines of business was up by 0.8% to €5,156m (5,114m), and gross premiums written climbed by 1.3% to €4,943m (4,879m). In the Life and Health Germany segment, gross premium volume remained almost constant at €2,321m (2,324m). In the Property-casualty Germany segment, gross premium was up by 2.1% to €1,266m (1,240m). In the ERGO International segment, premium income increased by 3.1% to €1,356m (1,315m).

Investments: Investment result of €1,796m

With a carrying amount of €216,201m (market value of €229,781m), total investments (excluding insurance-related investments) as at 31 March 2018 were down on the year-end 2017 figure of €217,562m (231,885m at market value). The Group's investment result (excluding insurance-related investments) fell to €1,796m (2,151m). Regular income from investments declined to €1,493m (1,634m). The net balance of derivatives improved to –€17m (–362m). The balance of gains and losses on disposals excluding derivatives fell to €584m (1,048m). Munich Re also posted higher net year-on-year write-downs of €115m (26m) on non-derivative investments during the past quarter.

The investment result represents a return of 3.1% on the average market value of the portfolio; the running yield was 2.6%, and the reinvestment yield was 1.9%. Munich Re's equity-backing ratio (including equity-linked derivatives) at 31 March 2018 decreased marginally to 6.5% (31 December 2017: 6.7%).

The Group's asset manager is MEAG, whose assets under management as at 31 March 2018 included not only Group investments, but also a volume of €15.5bn (15.9bn) for third parties.

Outlook for 2018: Profit guidance of €2.1–2.5bn

In property-casualty reinsurance, Munich Re has lowered the projected combined ratio for the full year by two percentage points to 97% on account of low major-loss expenditure in the first quarter of 2018.

Besides that, expectations for 2018 have scarcely changed in comparison with the figures given in the 2017 Annual Report that was published in March. Munich Re is still expecting to post gross premiums written of €46–49bn for 2018, and is not changing its forecast consolidated result in the range of €2.1–2.5bn.

Note for the editorial staff:
 For further questions please contact

Media Relations
 Munich Re (Group)
 Jörg Allgäuer
 Tel.: +49 (89) 3891-8202

Media Relations Asia Pacific
 Silke Kunstreich
 Tel.: +65 6318 0762

Media Relations North America

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Sharon Cooper
Tel.: +1 (609) 243-8821

Munich Re is one of the world's leading providers of reinsurance, primary insurance and insurance-related risk solutions. The corporate group consists of the reinsurance and ERGO business segments, together with the capital investment company, MEAG. The Group operates in all lines of insurance. Ever since it was founded in 1880, Munich Re has been known for its unrivalled risk-related expertise and its particularly sound financial position. It also offers its clients financial protection when faced with extraordinarily high levels of damage – from the 1906 earthquake in San Francisco right through to the series of Atlantic hurricanes that occurred in 2017. Munich Re possesses outstanding innovative strength, which enables it to also provide cover for extraordinary risks such as rocket launches, renewable energies, cyber attacks or pandemics. The company is playing a key role in driving forward the digital transformation within its industry and in doing so is increasing its ability to assess risks and expanding upon the range of services that it offers. Its tailor-made solutions and close proximity to its clients make Munich Re one of the world's most sought-after risk partners for the economy, institutions and private individuals.

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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Münchener Rückversicherungs-Gesellschaft
Aktiengesellschaft in München
Media Relations
Königinstrasse 107
80802 München
Germany

Key figures (IFRS) for the Group in the first quarter of 2018*					
(in €m unless otherwise indicated)					
		Q1 2018	Q1 2017	Change	
				Absolute	in %
Gross premiums written		13,126	12,925	201	1.6
Net earned premiums		11,254	11,842	-588	-5.0
Net expenses for claims and benefits		-8,431	-10,178	1,746	17.2
Technical result		1,020	662	358	54.1
Investment result		1,796	2,151	-355	-16.5
Thereof	Realised gains	727	1,281	-554	-43.3
	Realised losses	-142	-233	91	38.9
Insurance-related investment result		-237	156	-393	-
Non-technical result		263	290	-27	-9.3
Operating result		1,283	952	331	34.8
Net finance costs		-51	-54	3	6.4
Taxes on income		-212	-188	-24	-12.9
Consolidated profit		827	557	270	48.4
Thereof attributable to	shareholders of Munich Reinsurance Company	826	554	272	49.2
	Minority interests	1	4	-3	-74.6
		31.3.2018	31.12.2017		
Investments (excluding insurance-related investments)		216,201	217,562	-1,361	-0.6
Equity		27,191	28,198	-1,007	-3.6
Staff		42,050	42,410	-360	-0.8
Reinsurance		Q1 2018	Q1 2017	Change	
				Absolute	in %
Gross premiums written		8,183	8,046	136	1.7
Technical result		888	532	356	67.0
Non-technical result		171	151	19	12.6
Operating result		1,059	683	376	55.0
Result		750	466	284	60.9
Thereof	Reinsurance Life and health	Q1 2018	Q1 2017	Change	
				Absolute	in %
	Gross premiums written	2,865	3,488	-623	-17.9
	Technical result	140	145	-5	-3.4
	Non-technical result	82	48	34	71.8
	Operating result	221	192	29	15.2
	Result	159	126	33	26.6
	Reinsurance – Property- casualty	Q1 2018	Q1 2017	Change	
				absolute / in % points	in %
	Gross premiums written	5,317	4,558	759	16.6
	Combined ratio in %	88.6	97.1	-8.4	
	Technical result	749	387	361	93.3
	Non-technical result	89	104	-15	-14.5
	Operating result	838	491	346	70.5
Result	591	340	250	73.5	

ERGO		Q1 2018	Q1 2017	Change		
				Absolute	in %	
	Gross premiums written	4,943	4,879	65	1.3	
	Technical result	132	130	1	1.0	
	Non-technical result	93	139	-46	-33.1	
	Operating result	224	269	-45	-16.6	
	Result	77	91	-14	-15.3	
Thereof	ERGO L/H Germany	Q1 2018	Q1 2017	Change		
				Absolute	in %	
		Gross premiums written	2,321	2,324	-3	-0.1
		Technical result	91	70	21	29.8
		Non-technical result	60	103	-43	-41.6
		Operating result	151	173	-22	-12.8
		Result	36	63	-26	-42.3
		ERGO Property-casualty Germany	Q1 2018	Q1 2017	Change	
					absolute / in % points	in %
		Gross premiums written	1,266	1,240	26	2.1
		Combined ratio in %	101.7	99.1	2.6	
		Technical result	-6	16	-22	-
		Non-technical result	20	29	-8	-29.3
		Operating result	14	44	-30	-68.6
		Result	0	12	-12	-98.5
		ERGO International	Q1 2018	Q1 2017	Change	
					absolute / in % points	in %
		Gross premiums written	1,356	1,315	41	3.1
		Combined ratio in %	95.3	96.3	-1.0	
		Technical result	47	45	2	5.5
		Non-technical result	12	7	5	77.5
		Operating result	60	52	8	15.2
		Result	41	16	25	151.6
	Shares		Q1 2018	Q1 2017	Change	
					Absolute	in %
		Earnings per share in €	5.49	3.55	1.94	54.8

* Previous year's figures adjusted pursuant to IAS 8.