Quarterly Statement 1/2016
Munich Re

1/2016

WE PROGRESS AS ONE

Key figures (IFRS)

Munich Re at a glance

		Q1 2016	Q1 2015	Change
				%
Consolidated result	€m	436	790	–44.8
Thereof attributable to non-controlling interests	€m	6	0	> 1,000.0
Earnings per share	€	2.65	4.71	–43.7
Return on risk-adjusted capital (RORAC)	%	7.3	11.7	
Return on investment (RoI)	%	2.7	3.0	
Return on equity (RoE)	%	5.6	9.7	
		31.3.2016	31.12.2015	Change
				%
Book value per share	€	195.13	188.40	3.6
Munich Reinsurance Company's market capitalisation	€bn	29.8	30.8	–3.1
Share price	€	178.75	184.55	–3.1

		31.3.2016	31.12.2015	Change
				%
Equity	€m	31,794	30,966	2.7
Investments	€m	214,828	215,093	–0.1
Insurance-related investments	€m	9,045	9,163	–1.3
Net technical provisions	€m	196,836	198,455	–0.8
Balance sheet total	€m	276,516	276,520	0.0
Number of staff		43,686	43,554	0.3

Reinsurance

		Q1 2016	Q1 2015	Change
				%
Gross premiums written	€m	6,733	7,009	–3.9
Combined ratio property-casualty	%	88.4	92.3	
Investment result	€m	166	569	–70.8
Consolidated result	€m	445	668	–33.3
Thereof: Reinsurance – Life	€m	20	70	–71.0
Thereof: Reinsurance – Property-casualty	€m	425	598	–28.9

ERGO

		Q1 2016	Q1 2015	Change
				%
Gross premiums written	€m	4,495	4,585	–2.0
Combined ratio ERGO Property-casualty Germany	%	98.6	98.1	
Combined ratio ERGO International	%	93.2	98.7	
Investment result	€m	1,378	1,212	13.6
Consolidated result	€m	–25	102	–
Thereof: ERGO Life and Health Germany	€m	14	52	–73.6
Thereof: ERGO Property-casualty Germany	€m	–25	38	–
Thereof: ERGO International	€m	–14	12	–

Munich Health

		Q1 2016	Q1 2015	Change
				%
Gross premiums written	€m	1,283	1,443	–11.1
Combined ratio[1]	%	100.2	100.4	
Investment result	€m	29	39	–26.0
Consolidated result	€m	16	21	–22.9

1 Excluding health insurance conducted like life insurance.

Contents

This document is a translation of the original German version and is intended to be used for informational purposes only. While every effort has been made to ensure the accuracy and completeness of the translation, please note that the German original is binding.

Quarterly Statement[1]

Business environment

The general environment for investment remained challenging in the first quarter of 2016 owing to the development of the stock and bond markets. Long-term interest rates fell again considerably from their already low level at year-end 2015. Whilst the decline in yields leads to higher prices for fixed-income bonds, the lower interest rates diminish regular income from reinvestments. Our regular return on investments was 2.8%, and was thus down 0.2 percentage points year on year.

Interest rates on 10-year government bonds

%	31.3.2016	31.12.2015
USA	1.8	2.3
Germany	0.2	0.6

With inflation rates remaining low in the eurozone, the European Central Bank (ECB) lowered the key interest rate (main refinancing rate) by a further five basis points to 0.0%. The deposit rate is now ten basis points lower at –0.4%. In addition, the ECB announced that it would increase the volume of its programme to buy government bonds, and also extend this to corporate bonds. The low-interest-rate environment in Europe is thus expanding, making it increasingly difficult for insurance companies to generate their interest-rate guarantees. In the USA, the Federal Reserve made no changes to its monetary policy in the past quarter. However, moderate increases in key interest rates are still expected later in the year.

Stock markets

	31.3.2016	31.12.2015
DJ EuroStoxx 50	3,005	3,268
Dow Jones Index	17,685	17,425

1 This Quarterly Statement was drawn up in accordance with IFRS principles. It is not an interim report within the meaning of IAS 34, or a financial statement within the meaning of IAS 1.

Right at the start of the year, turbulence on the Chinese stock market and a further significant downturn in crude oil prices led to nervousness and falling prices on global stock markets. For example, the EuroStoxx 50 was at times down about 18% against its level at 31 December 2015. At the end of the first quarter, share prices recovered in unison with rising commodity prices, and the volatility diminished again. Due to the slumps in stock markets at the beginning of 2016, we had to post higher write-downs of equities than in the first quarter of 2015.

Currency translation rates

Rate for €1	31.3.2016	31.12.2015	Q1 2016	Q1 2015
Australian dollar	1.48140	1.49305	1.52774	1.43196
Canadian dollar	1.47395	1.50895	1.51388	1.39583
Pound sterling	0.79285	0.73705	0.77068	0.74388
US dollar	1.13955	1.08630	1.10273	1.12680

We write a large portion of our business outside the eurozone. Thus an appreciation of the euro has a negative impact on the development of premium income posted in euros, while a depreciation has a positive effect. Exchange-rate developments in the first quarter of 2016 had a negative year-on-year effect on premium volume. The value reported for investments, which is translated at period-end exchange rates, was also negatively influenced by currency translation effects in the first three months.

Performance of Munich Re

Key figures

	Q1 2016	Q1 2015	Change
	€m	€m	%
Gross premiums written	12,511	13,038	–4.0
Technical result	945	912	3.6
Investment result	1,572	1,820	–13.6
Insurance-related investment result	–208	579	–
Operating result	726	995	–27.1
Taxes on income	–157	–151	–3.9
Consolidated result	436	790	–44.8
Thereof: Attributable to non-controlling interests	6	0	>1,000.0
	31.3.2016	31.12.2015	Change
	€bn	€bn	%
Equity	31.8	31.0	2.7

Munich Re posted a consolidated profit of €0.4bn (0.8bn) for the first three months of 2016. The result was thus below our expectations. The first quarter was marked by a below-average random incidence of major losses, but also by strains on our investment result and by expenditure for one-off effects in the ERGO field of business.

The gross premiums written by the Group were down by €0.5bn (–4.0%). If exchange rates had remained unchanged, premium income would have declined by 2.0%.

In the first three months, the overall investment result was well below the level of the previous year. The development of investment results in our fields of business was not uniform, because of the differing investment strategies deriving from the various business models. Whilst the investment result in reinsurance was impacted negatively by losses in the equity portfolio, the derivatives used in ERGO's interest-rate hedging programme benefited from the lower interest rates. However, this positive effect on the investment result is very largely diluted in the consolidated result by policyholder participation.

In the first quarter of 2016, we posted taxes on income of €157m (151m). The tax ratio was 26% (16%).

As at 31 March 2016, Group equity was up on the start of the year. This was due in particular to the consolidated profit and the net increase in on-balance-sheet net unrealised gains on investments. An adverse effect derived from the reserve for currency translation adjustments owing to the weaker US dollar.

The annualised return on risk-adjusted capital (RORAC) for the first quarter of the year amounted to 7.3% (11.7%), and the return on equity (RoE) to 5.6% (9.7%).

The share buy-back programme announced in March 2015 was concluded by us as planned on 18 April 2016. We bought back a total of almost 5.8 million Munich Re shares with a volume of €1.0bn, which we then retired on 27 April 2016. The number of shares issued has thus fallen to around 161.1 million.

In March 2016, Munich Reinsurance Company's Board of Management decided to launch a further share buy-back programme. On the basis of the authorisation granted by the Annual General Meeting on 23 April 2015 or a future authorisation, we will buy back own shares for a maximum purchase price of €1bn in the period between 28 April 2016 and, at the latest, the Annual General Meeting on 26 April 2017.

In the meeting of the Supervisory Board held on 15 March 2016, Nikolaus von Bomhard informed the Supervisory Board that he did not wish to extend his appointment to the Board of Management, and thus also his position as Chairman of the Board of Management, beyond the Annual General Meeting on 26 April 2017. The Supervisory Board acceded to this request, and appointed Board of Management member Joachim Wenning to succeed him as Chairman of the Board of Management with effect from 27 April 2017. Joachim Wenning has been responsible for worldwide life reinsurance business on the Company's Board of Management since the beginning of 2009; he has also been responsible for Human Resources since 1 October 2013 and has served as Munich Re's Labour Relations Director since that time.

Business performance

Reinsurance – Life

Key figures

		Q1 2016	Q1 2015	Change
				%
Gross premiums written	€m	2,205	2,412	–8.6
Share of gross premiums written in reinsurance	%	32.7	34.4	
Technical result	€m	70	103	–32.1
Investment result	€m	65	203	–68.0
Operating result	€m	–3	82	–
Consolidated result	€m	20	70	–71.0

Premium
With around 90% of our business written in other currencies, currency translation effects have an appreciable impact on premium development. If exchange rates had remained unchanged, our premium income would have declined by 4.1% in the first quarter, largely owing to the fact that a large-volume treaty was renewed at a reduced volume with effect from 2016. Negative effects from exchange-rate developments also had an adverse impact on premium income.

Result
The technical result was somewhat below our expectations. While claims experience was very satisfying overall, the result was nevertheless impacted by individual losses involving higher sums insured.

The significant decline in the investment result is mainly due to lower regular income and lower gains on the disposal of fixed-interest securities and equities. The net balance of derivatives improved and somewhat mitigated the decline.

Reinsurance – Property-casualty

Key figures

		Q1 2016	Q1 2015	Change
				%
Gross premiums written	€m	4,528	4,598	–1.5
Share of gross premiums written in reinsurance	%	67.3	65.6	
Loss ratio	%	56.4	61.1	
Thereof: Major losses	Percentage points	2.4	6.2	
Expense ratio	%	32.0	31.2	
Combined ratio	%	88.4	92.3	
Technical result	€m	755	658	14.7
Investment result	€m	101	366	–72.4
Operating result	€m	517	675	–23.4
Consolidated result	€m	425	598	–28.9

Premium
In property-casualty reinsurance, currency translation effects had a negative impact on premium development in the period under review. If exchange rates had remained the same, premium volume for the first three months would have remained constant year on year.

During the renewals of our reinsurance treaties at 1 January 2016, the market environment was nearly unchanged compared with the previous year. There was sufficient reinsurance capacity in all classes of business. Prices remained under pressure, but to a slightly lesser degree than in previous years. Treaty terms and conditions were largely unchanged, as was the demand for reinsurance cover.

At 1 January 2016, somewhat more than half of our property-casualty reinsurance business was up for renewal, representing a premium volume of around €9.1bn. Some 11% (around €1.0bn) of this was not renewed, because the business concerned no longer met Munich Re's profitability requirements. By contrast, Munich Re wrote new business with a volume of approximately €1.2bn. Compared with the same period last year, the business volume written thus rose slightly by 0.7% to around €9.2bn. The price level, which is an indicator of the profitability of the business, fell by about 1.0%.

The renewals of property-casualty reinsurance treaties as at 1 April 2016, which are not yet reflected in the figures for the first quarter, also saw a fall in prices. Given that the composition of this portfolio differed from the book of business renewed at 1 January, price erosion was stronger at 1.5%, but nevertheless not as pronounced as in the April 2015 renewals. By taking advantage of various business opportunities, we were able to post an appreciable increase in premium volume to around €1.9bn.

Result

The technical result in the property-casualty reinsurance segment rose year on year and was significantly influenced by a below-average random incidence of natural catastrophe claims.

Major-loss expenditure in the first quarter was significantly below the average volume to be expected. Total major-loss expenditure for the first three months came to €100m (255m) after retrocession and before tax, which is equivalent to 2.4% of net earned premiums. We anticipate expenditure of €37m for the largest individual claim for the first quarter, a fire loss in a hydroelectric power station.

In addition to the comprehensive reassessment of provisions for basic losses that we carry out primarily towards the end of the year, we also perform detailed quarterly analyses of the claims notifications we receive. As the claims notifications again remained appreciably below the expected level, we made reserve releases of around €250m in the first quarter, which is equivalent to 6.0 percentage points of the combined ratio. We also still aim 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.

The combined ratio for the first three months amounted to 88.4%, which is well within our target of around 98%.

The significant decline in the investment result is mainly attributable to lower gains on the disposal of equities and fixed-interest securities, in particular as a consequence of losses on the disposal of high-yield corporate bonds. This was compensated for by an improvement in the net balance of derivatives, especially from equity derivatives.

ERGO Life and Health Germany

Key figures

		Q1 2016	Q1 2015	Change
				%
Total premium income[1]	€m	2,500	2,602	–3.9
Gross premiums written	€m	2,333	2,412	–3.3
Share of gross premiums written by ERGO	%	51.9	52.6	
Technical result	€m	83	89	–5.9
Investment result	€m	1,266	1,067	18.6
Operating result	€m	178	118	51.5
Consolidated result	€m	14	52	–73.6

1 Total premium income includes not only gross premiums written but also savings premiums for unit-linked life insurance and capitalisation products in accordance with the applicable statutory accounting guidelines.

Premium

The decline in overall premium income and gross premiums written is mainly attributable to lower regular premium volume and lower income from single-premium business in life insurance.

At €919m (993m), overall premium income in German life business was down by 7.5%. Gross premiums written decreased by 6.7% to €773m (829m). At €51m (58m), new regular-premium business was down by 12.4%, and new business decreased by 21.8% overall. In terms of annual premium equivalent (APE, i.e. regular premium income plus one-tenth of single-premium volume), which is the performance measure customary among investors, our new business volume was down by 14.8%.

Premium income in our German health business totalled €1,294m, down by 1.6% in the first quarter compared with the same period last year (€1,316m). In supplementary health insurance, premium volume was down by 4.0%, chiefly due to the termination of a large treaty. Without this factor, premium volume would have increased by 1.3%. The 1.8% reduction in premium volume in comprehensive health insurance was partly attributable to the sustained decline in the number of insureds. New business in comprehensive health insurance grew by 10.9% between January and March 2016 compared with the same period last year. In supplementary health insurance, new business grew by 20.0%.

At €287m, overall premium income from direct German business was down by 2.1% compared with the period from January to March 2015 (€293m). The decline was largely attributable to the discontinuation of single-premium annuity business and lower premium income from the MaxiZins capitalisation product. Gross premiums written decreased by 0.8% to €265m (268m). In terms of annual premium equivalent, new business volume declined by 11.2% compared with the same quarter last year.

Result

The technical result generated by the ERGO Life and Health Germany segment in the period from January to March 2016 was down year on year. The decreases in the ERGO Life and Health Germany segment were not balanced out by improved German direct business. The quarterly investment result increased year on year, mainly because of an improved result from our equity hedging and another high result from derivatives used for interest-rate hedging. The consolidated result was lower than in the previous year, chiefly due to special effects in our German health business. In particular, a higher provision for tax risks had a negative impact on the result.

ERGO Property-casualty Germany

Key figures

		Q1 2016	Q1 2015	Change
				%
Gross premiums written	€m	1,219	1,193	2.2
Share of gross premiums written by ERGO	%	27.1	26.0	
Loss ratio	%	62.8	63.9	
Expense ratio	%	35.8	34.2	
Combined ratio	%	98.6	98.1	
Technical result	€m	14	28	–48.8
Investment result	€m	–15	60	–
Operating result	€m	–34	64	–
Consolidated result	€m	–25	38	–
Thereof attributable to non-controlling interests	€m	–1	0	–

Premium
The increase in premium income was primarily due to significant growth in UK title insurance business. In the other classes of business, performance varied in the period from January to March: whilst premium income increased in legal expenses insurance (+1.7%), fire and property (+1.2%) and motor insurance (+1.0%), we generated less premium income year on year in marine and aviation (–1.2%), personal accident (–0.6%) and third-party liability insurance (–0.2%).

Result
The technical result in the ERGO Property-casualty Germany segment decreased in the first quarter of 2016. Despite solid premium growth, the decrease was mainly due to higher costs. The investment result was adversely impacted above all by a significantly lower result from disposals and higher write-downs of equities compared with the previous year.

The combined ratio for the first quarter was slightly up year on year. Expansion of title insurance business in the United Kingdom led to an increase in the expense ratio. By contrast, positive effects resulted from lower claims expenditure in fire and property, other property classes, and for natural catastrophes in homeowners' insurance.

The lower investment result and decreased technical result were the main reasons for the negative consolidated result.

ERGO International

Key figures

		Q1 2016	Q1 2015	Change
				%
Total premium income[1]	€m	1,036	1,075	-3.6
Gross premiums written	€m	943	980	-3.8
Share of gross premiums written by ERGO	%	21.0	21.4	
Loss ratio	%	55.6	60.1	
Expense ratio	%	37.6	38.6	
Combined ratio	%	93.2	98.7	
Technical result	€m	26	41	-36.4
Investment result	€m	127	85	48.8
Operating result	€m	47	36	31.9
Consolidated result	€m	-14	12	–
Thereof attributable to non-controlling interests	€m	4	1	309.7

1 Total premium income includes not only gross premiums written but also savings premiums for unit-linked life insurance and capitalisation products in accordance with the applicable statutory accounting guidelines.

Premium

Approximately 41% of the segment's premium income derives from life insurance, and around 59% from property-casualty insurance. Our biggest markets are Poland, which accounts for approximately 27% of premium volume, Austria with around 18%, and Belgium with some 14%.

The decline in overall premium income and gross premiums written was attributable to life insurance business. Adjusted for currency translation effects, gross premiums written in the ERGO International segment would have decreased by 0.9% compared with the same quarter last year. The biggest negative currency translation effects were seen in Poland, Russia, and Turkey.

At €420m (487m), overall premium income in international life insurance decreased by 13.7% year on year. This substantial reduction is chiefly due to developments in Poland, where premium was down by €41m. In terms of annual premium equivalent, new business volume in international life insurance for the first quarter of 2016 was down 11.2% year on year. In international property-casualty insurance, we posted premium income of €615m (588m). The 4.8% increase in premium volume mainly resulted from developments in Poland, the Baltic states and Turkey, with motor business being the main growth driver in all these countries.

Result

The technical result in the ERGO International segment was down on the first quarter of 2015. This negative development was exclusively attributable to life insurance business, particularly in Italy. By contrast, property-casualty insurance showed an improvement. In the period under review, the investment result was up year on year, the increase being mainly due to a higher net balance of derivatives.

We achieved an improvement in the combined ratio in international property-casualty insurance. In Greece, the loss ratio decreased due to a positive run-off result and lower claims expenditure in the first quarter of 2016, while in the Netherlands, reserve releases had a positive effect. In Turkey, the loss ratio in motor third-party liability insurance decreased.

The consolidated result declined due to special effects in the other non-operating result.

Munich Health

Key figures

		Q1 2016	Q1 2015	Change
				%
Gross premiums written	€m	1,283	1,443	–11.1
Loss ratio[1]	%	84.6	84.1	
Expense ratio[1]	%	15.6	16.3	
Combined ratio[1]	%	100.2	100.4	
Technical result	€m	–4	–7	42.3
Investment result	€m	29	39	–26.0
Operating result	€m	20	21	–5.7
Consolidated result	€m	16	21	–22.9
Thereof attributable to non-controlling interests	€m	3	–1	–

1 Excluding business conducted like life insurance.

Premium

In reinsurance, the decrease in premium volume by 17.0% to €891m (1,073m) was mainly attributable to the reduction of Munich Re's share in a large-volume reinsurance treaty in North America and to negative currency translation effects, particularly for the Canadian dollar. In primary insurance, premium income saw positive growth, especially in Spain, Belgium and Qatar, rising by 6.0% to €392m (370m). If exchange rates had remained the same, Munich Health's gross premium would have decreased year on year by 7.5%.

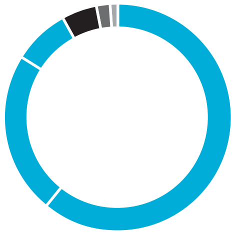
Result

The technical result was above the level of the previous year, mainly due to improvements in primary insurance, particularly in Spain; in reinsurance, there was a slight decline in North America due to the reduction of Munich Re's share in a large-volume reinsurance treaty. Munich Health's combined ratio relates only to short-term health business, not to business conducted like life insurance. Business conducted like life insurance accounted for 10.9% (9.3%) of gross premiums written in the first quarter of 2016. In reinsurance, the combined ratio amounted to 101.1% (100.8%); in primary insurance, the figure was 96.5% (98.0%). The investment result declined, as the previous year's figures included subsequent profits from the sale of Windsor Health Group.

Investment performance

Distribution of investments by type on the basis of carrying amounts

Total: €215bn (215bn)



Fixed-interest securities	61% (60%)
Loans	25% (25%)
Miscellaneous investments	7% (8%)
Shares and equity funds	5% (5%)
Real estate	2% (2%)
Participating interests	1% (1%)

Our investment portfolio is decisively shaped by fixed-interest securities and loans. The carrying amount of €214.8bn (215.1bn) as at 31 March 2016 fell slightly compared with the end of 2015, mainly due to currency translation effects that exceeded gains on fixed-interest securities. The market value of our portfolio of investments totalled €232.9bn (230.5bn) at 31 March 2016.

In the period under review, we increased our portfolio of corporate bonds and credit structures, but slightly reduced our investments in government bonds and covered bonds.

The fall in interest rates in the first quarter of 2016 resulted in an increase in on- and off-balance-sheet unrealised gains; these will be posted to the income statement upon disposal of the relevant investments. Including investments in affiliated companies and associates, these climbed from €26.5bn at 31 December 2015 to €32.6bn at 31 March 2016.

Other securities available for sale

	Carrying amounts		On-balance-sheet unrealised gains and losses		At amortised cost	
€m	31.3.2016	31.12.2015	31.3.2016	31.12.2015	31.3.2016	31.12.2015
Fixed-interest	130,179	127,661	11,494	7,886	118,685	119,775
Non-fixed-interest	14,404	13,882	2,239	2,446	12,165	11,436
Total	**144,583**	**141,543**	**13,733**	**10,332**	**130,850**	**131,211**

Off-balance-sheet unrealised gains and losses

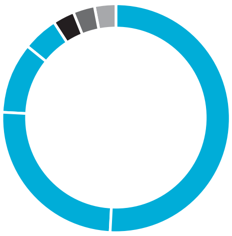
	Fair values		Off-balance-sheet unrealised gains and losses		Carrying amounts	
€m	31.3.2016	31.12.2015	31.3.2016	31.12.2015	31.3.2016	31.12.2015
Land and buildings[1]	9,439	9,514	2,719	2,795	6,720	6,719
Associates	1,704	1,678	579	553	1,125	1,125
Loans	68,508	66,126	15,350	12,610	53,158	53,516
Total	**79,652**	**77,318**	**18,648**	**15,958**	**61,003**	**61,360**

1 Including owner-occupied property.

As at the reporting date, our portfolio of fixed-interest securities was made up as follows:

Fixed-interest portfolio according to economic categories[1]

Total: €208bn (203bn)



Government bonds[2]	52% (52%)
Thereof: Inflation-linked bonds	9% (8%)
Pfandbriefs/Covered bonds	24% (24%)
Corporate bonds	10% (10%)
Cash/Other	4% (4%)
Bank bonds	3% (3%)
Policy and mortgage loans	3% (3%)
Structured products (credit structures)	2% (2%)

1 Presentation essentially shows fixed-interest securities and loans, including deposits with banks, at market value. The approximation is not fully comparable with the IFRS figures.
2 Including other public issuers and government-guaranteed bank bonds.

A total of 52% of our fixed-interest portfolio was invested in government bonds at the reporting date. In the current financial year, new investments have mainly been made in supranational organisations. The purchase of government bonds from emerging markets is also part of our balanced investment strategy. Above all, we have reduced our bond holdings from issuers in France, Spain and the USA. The vast majority of our government bonds continue to come from countries with a high credit rating.

Our overall portfolio of covered bonds decreased slightly. Above all, we reduced our holdings of Irish and Spanish covered bonds. Our investment in bank bonds is limited, and at the reporting date amounted to only 3% (3%) of our portfolio of fixed-interest securities.

Around 10% (10%) of our portfolio is made up of corporate bonds from other sectors. Our credit exposure is increased by a further percentage point through derivatives.

We ensure that the maturities of fixed-interest investments do not deviate significantly from those of our liabilities. That is why the economic interest-rate risk within the Group remains at an acceptable level, even in a low-interest-rate environment.

The carrying amount of our equity portfolio saw a slight increase in the first quarter. Our equity-backing ratio amounted to 5.3% (5.2%). The derivatives used to hedge our equity portfolio were increased, thus reducing our equity exposure. Including derivatives, our equity-backing ratio was 3.9% (4.8%). To protect ourselves against accelerating inflation, we hedge with inflation-linked bonds in the amount of €9.9bn (8.9bn) (at market values) and inflation-linked swaps with an exposure of €4.4bn (3.8bn). Real assets like shares, property, commodities, and investments in infrastructure, renewable energies and new technologies also serve as protection against inflation. Additionally, our investments in real assets have a positive diversification effect on the overall portfolio.

Investment result

	Q1 2016	Return[1]	Q1 2015	Return[1]
	€m	%	€m	%
Regular income	1,628	2.8	1,801	3.0
Write-ups/write-downs of non-derivative investments	–219	–0.4	–152	–0.2
Gains/losses on the disposal of non-derivative investments	218	0.4	998	1.6
Net balance of derivatives	74	0.1	–706	–1.2
Other income/expenses	–128	–0.2	–121	–0.2
Total	**1,572**	**2.7**	**1,820**	**3.0**

1 Annualised return in % p.a. on the average market value of the investment portfolio at the quarterly reporting dates.

Largely as a consequence of the marginal decline in portfolio yields, regular income fell year on year in the first quarter of 2016. In the period from January to March, the return on reinvestment was 1.9% (2.0%), thus remaining far below the average return on our existing investment portfolio.

Munich Re posted higher net year-on-year write-downs of non-derivative investments for the past quarter, mainly with respect to our equity portfolio. In the case of our fixed-interest securities, in the first quarter of 2016 we posted write-downs of securities issued by the Spanish region of Catalonia, and bonds issued by oil and gas companies. A positive effect derived from the write-ups of our gold investments.

From January to March 2016, we posted net gains on the disposal of non-derivative investments that were €780m lower year on year. These resulted in particular from lower gains realised on fixed-interest securities and equities, and the acceptance of losses on the disposal of high-yield corporate bonds.

The net balance of derivatives showed a significant year-on-year net improvement of €780m over the past quarter. There were positive effects in particular from interest-rate derivatives (particularly from the ERGO interest-rate hedging programme) and a much-improved result from equity derivatives.

Prospects

Our predictions for the further development of our Group are based on planning figures, forecasts and expectations. Consequently, this outlook merely reflects our imperfect assumptions and subjective views. It follows that we do not accept any responsibility or liability in the event that they are not realised in part or in full. It is not only the obvious fluctuations in the incidence of major losses that make an accurate forecast of IFRS results impossible. The pronounced volatility of the capital markets and exchange rates, as well as the special features of IFRS accounting, also make this difficult. Thus, there may be significant fluctuations in the investment result, currency result and consolidated result, despite the fact that our assets are geared to the characteristics of our liabilities.

Outlook Munich Re (Group)

		2016
Gross premiums written	€bn	47–49
Technical result	€bn	3
Return on investment	%	around 3
Consolidated result	€bn	2.3

Compared with our statements in the Annual Report 2015, we are adjusting our outlook to reflect the results of the first quarter of 2016 with regard to the following particularly relevant key figures:

In property-casualty reinsurance, Munich Re previously projected a combined ratio of around 98% of net earned premiums. We now expect a significantly improved figure of around 95%. There are two reasons for this. Firstly, after we had already taken the low incidence of major losses until February into consideration in the originally forecast figure of 98%, the months of March and April also saw significantly fewer major losses than expected. Secondly, the provisions for claims from prior years reported by our clients were once again far lower than anticipated, so that for 2016 we now expect to release reserves for such claims in the amount of six percentage points, rather than the four percentage points originally assumed.

In our outlook at the start of the year, we forecast a consolidated result in the range of €2.3–2.8bn. This guidance did not include possible expenditure for implementing the ERGO strategy programme. Although it is still too early to reliably quantify any figures, we anticipate expenditure in an amount that will make it unlikely for ERGO to achieve a profit in 2016. Taking this expenditure into account, we are proceeding on the assumption of a consolidated profit of €2.3bn – a result that is at the lower end of the original result corridor forecast.

Selected financial information

Consolidated balance sheet
as at 31 March 2016

Assets

			31.3.2016	31.12.2015		Change
	€m	€m	€m	€m	€m	%
A. Intangible assets						
I. Goodwill		2,707		2,790	-83	-3.0
II. Other intangible assets		1,115		1,171	-57	-4.8
			3,822	**3,961**	**-140**	**-3.5**
B. Investments						
I. Land and buildings, including buildings on third-party land		4,347		4,317	30	0.7
II. Investments in affiliated companies, associates and joint ventures		1,269		1,278	-9	-0.7
Thereof: Associates and joint ventures accounted for using the equity method		1,125		1,125	1	0.1
III. Loans		53,158		53,516	-358	-0.7
IV. Other securities						
1. Available for sale	144,583			141,543	3,040	2.1
2. At fair value through profit or loss	3,175			2,551	624	24.5
		147,758		144,094	3,664	2.5
V. Deposits retained on assumed reinsurance		4,164		7,253	-3,089	-42.6
VI. Other investments		4,132		4,635	-503	-10.8
			214,828	**215,093**	**-265**	**-0.1**
C. Insurance-related investments			**9,045**	**9,163**	**-118**	**-1.3**
D. Ceded share of technical provisions			**4,408**	**4,327**	**80**	**1.9**
E. Receivables						
I. Current tax receivables		700		569	131	23.1
II. Other receivables		13,263		11,823	1,441	12.2
			13,963	**12,391**	**1,572**	**12.7**
F. Cash at banks, cheques and cash in hand			**3,994**	**3,955**	**39**	**1.0**
G. Deferred acquisition costs						
Gross		9,358		9,428	-70	-0.7
Ceded share		-89		-80	-8	-10.4
Net			9,269	9,348	-79	-0.8
H. Deferred tax assets			**7,820**	**7,859**	**-39**	**-0.5**
I. Other assets			**3,351**	**3,477**	**-126**	**-3.6**
J. Assets held for sale			**6,017**	**6,947**	**-930**	**-13.4**
Total assets			**276,516**	**276,520**	**-4**	**0.0**

Equity and liabilities

	31.3.2016		31.12.2015	Change	
	€m	€m	€m	€m	%
A. Equity					
I. Issued capital and capital reserve	7,413		7,418	–5	–0.1
II. Retained earnings	16,903		14,110	2,793	19.8
III. Other reserves	6,754		6,032	722	12.0
IV. Consolidated result attributable to Munich Reinsurance Company equity holders	430		3,107	–2,677	–86.2
V. Non-controlling interests	293		298	–6	–1.9
		31,794	**30,966**	**828**	**2.7**
B. Subordinated liabilities		**4,329**	**4,416**	**–87**	**–2.0**
C. Gross technical provisions					
I. Unearned premiums	9,421		8,841	580	6.6
II. Provision for future policy benefits	105,412		108,572	–3,159	–2.9
III. Provision for outstanding claims	59,179		59,756	–577	–1.0
IV. Other technical provisions	19,261		17,413	1,848	10.6
		193,273	**194,582**	**–1,309**	**–0.7**
D. Gross technical provisions for unit-linked life insurance		**7,971**	**8,201**	**–230**	**–2.8**
E. Other accrued liabilities		**4,380**	**4,145**	**236**	**5.7**
F. Liabilities					
I. Bonds and notes issued	299		314	–15	–4.7
II. Deposits retained on ceded business	1,508		1,521	–14	–0.9
III. Current tax liabilities	2,087		2,018	69	3.4
IV. Other liabilities	15,084		14,061	1,023	7.3
		18,978	**17,914**	**1,064**	**5.9**
G. Deferred tax liabilities		**10,402**	**9,995**	**407**	**4.1**
H. Liabilities related to assets held for sale		**5,389**	**6,301**	**–913**	**–14.5**
Total equity and liabilities		**276,516**	**276,520**	**–4**	**0.0**

Consolidated income statement
1 January to 31 March 2016

Items

			Q1 2016	Q1 2015		Change
	€m	€m	€m	€m	€m	%
Gross premiums written	**12,511**			**13,038**	**-527**	**-4.0**
1. Earned premiums						
Gross	11,685			12,183	-498	-4.1
Ceded	-342			-323	-20	-6.0
Net		11,342		11,860	-518	-4.4
2. Income from technical interest		**1,511**		**2,267**	**-756**	**-33.3**
3. Expenses for claims and benefits						
Gross	-9,166			-10,380	1,214	11.7
Ceded share	197			184	13	7.2
Net		-8,969		-10,196	1,228	12.0
4. Operating expenses						
Gross	-2,998			-3,059	61	2.0
Ceded share	58			41	17	42.0
Net		-2,940		-3,019	79	2.6
5. Technical result (1–4)			**945**	**912**	**33**	**3.6**
6. Investment result		**1,572**		**1,820**	**-248**	**-13.6**
Thereof: Income from associates and joint ventures accounted for using the equity method		2		40	-38	-95.2
7. Insurance-related investment result		**-208**		**579**	**-787**	**–**
8. Other operating income		**181**		**180**	**2**	**1.1**
9. Other operating expenses		**-254**		**-228**	**-26**	**-11.2**
10. Deduction of income from technical interest		**-1,511**		**-2,267**	**756**	**33.3**
11. Non-technical result (6–10)			**-219**	**84**	**-303**	**–**
12. Operating result (5+11)			**726**	**995**	**-270**	**-27.1**
13. Other non-operating result			**-82**	**6**	**-88**	**–**
14. Impairment losses of goodwill			**0**	**0**	**0**	**–**
15. Net finance costs			**-51**	**-60**	**10**	**15.8**
16. Taxes on income			**-157**	**-151**	**-6**	**-3.9**
17. Consolidated result (12–16)			**436**	**790**	**-354**	**-44.8**
Thereof: Attributable to Munich Reinsurance Company equity holders			430	790	-360	-45.5
Attributable to non-controlling interests			6	0	6	>1,000.0
			€	€	€	%
Earnings per share			**2.65**	**4.71**	**-2.06**	**-43.7**

Statement of recognised income and expense
1 January to 31 March 2016

€m		Q1 2016	Q1 2015
Consolidated result		**436**	**790**
Currency translation			
Gains (losses) recognised in equity	-660		1,857
Recognised in the consolidated income statement	0		0
Unrealised gains and losses on investments			
Gains (losses) recognised in equity	1,312		2,465
Recognised in the consolidated income statement	83		-430
Change resulting from valuation at equity			
Gains (losses) recognised in equity	15		0
Recognised in the consolidated income statement	0		0
Change resulting from cash flow hedges			
Gains (losses) recognised in equity	0		1
Recognised in the consolidated income statement	0		0
Other changes	0		0
I. Items where income and expenses recognised directly in equity are reallocated to the consolidated income statement	750		3,893
Remeasurements of defined benefit plans	-128		62
Other changes	0		0
II. Items where income and expenses recognised directly in equity are not reallocated to the consolidated income statement	-128		62
Income and expense recognised directly in equity (I + II)		**622**	**3,955**
Total recognised income and expense		**1,058**	**4,745**
Thereof:			
Attributable to Munich Reinsurance Company equity holders		1,058	4,738
Attributable to non-controlling interests		0	7

Segmentation of our business

In accordance with the management approach, the segmentation of our business operations is based on the way in which Munich Re is managed internally.

We have consequently identified six segments to be reported:

— Life reinsurance (global life reinsurance business)
— Property-casualty reinsurance (global property-casualty reinsurance business)
— ERGO Life and Health Germany (German life and health primary insurance business, German property-casualty insurance direct business, and global travel insurance business)
— ERGO Property-casualty Germany (German property-casualty insurance business, excluding direct business)
— ERGO International: (ERGO primary insurance business outside Germany)
— Munich Health (global health reinsurance business and health primary insurance business outside Germany)

Certain primary insurers whose business requires special solution-finding competence are coupled to reinsurance as the risk carrier. We therefore transact their business from within reinsurance and consequently allocate them to the reinsurance segments.

Segment income statement
1 January to 31 March 2016

	Reinsurance			
	Life		Property-casualty	
€m	Q1 2016	Q1 2015	Q1 2016	Q1 2015
Gross premiums written	**2,205**	**2,412**	**4,528**	**4,598**
1. Net earned premiums	2,139	2,376	4,110	4,146
2. Income from technical interest	137	191	280	339
3. Net expenses for claims and benefits	-1,697	-1,866	-2,319	-2,533
4. Net operating expenses	-510	-598	-1,316	-1,294
5. Technical result (1–4)	**70**	**103**	**755**	**658**
6. Investment result	65	203	101	366
7. Insurance-related investment result	-5	-42	-16	28
8. Other operating result	5	10	-43	-38
9. Deduction of income from technical interest	-137	-191	-280	-339
10. Non-technical result (6–9)	**-72**	**-20**	**-238**	**16**
11. Operating result (5+10)	**-3**	**82**	**517**	**675**
12. Other non-operating result, net finance costs and impairment losses of goodwill	-7	0	-41	33
13. Taxes on income	30	-12	-51	-111
14. Consolidated result (11–13)	**20**	**70**	**425**	**598**

	ERGO						Munich Health		Total	
	Life and Health Germany		Property-casualty Germany		International					
	Q1 2016	Q1 2015	Q1 2016	Q1 2015	Q1 2016	Q1 2015	Q1 2016	Q1 2015	Q1 2016	Q1 2015
	2,333	**2,412**	**1,219**	**1,193**	**943**	**980**	**1,283**	**1,443**	**12,511**	**13,038**
	2,282	2,357	761	734	837	892	1,213	1,355	11,342	11,860
	1,005	1,446	18	21	63	259	7	10	1,511	2,267
	-2,852	-3,339	-492	-478	-575	-830	-1,033	-1,151	-8,969	-10,196
	-352	-377	-273	-250	-299	-280	-191	-220	-2,940	-3,019
	83	**89**	**14**	**28**	**26**	**41**	**-4**	**-7**	**945**	**912**
	1,266	1,067	-15	60	127	85	29	39	1,572	1,820
	-149	423	0	0	-38	170	0	0	-208	579
	-16	-15	-15	-2	-5	-2	2	-1	-72	-49
	-1,005	-1,446	-18	-21	-63	-259	-7	-10	-1,511	-2,267
	95	**29**	**-48**	**36**	**21**	**-5**	**24**	**28**	**-219**	**84**
	178	**118**	**-34**	**64**	**47**	**36**	**20**	**21**	**726**	**995**
	-34	-44	4	-22	-54	-23	-2	1	-133	-54
	-131	-21	5	-5	-8	-1	-2	-1	-157	-151
	14	**52**	**-25**	**38**	**-14**	**12**	**16**	**21**	**436**	**790**

Supervisory Board

Dr. Bernd Pischetsrieder
(Chairman)

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Important dates 2016

9 August 2016
Half-year Financial Report as at 30 June 2016

9 August 2016
Half-year press conference

9 November 2016
Quarterly Statement as at 30 September 2016

Important dates 2017

15 March 2017
Balance sheet press conference
for 2016 consolidated financial statements

26 April 2017
Annual General Meeting

9 May 2017
Quarterly Statement as at 31 March 2017

9 August 2017
Half-year Financial Report as at 30 June 2017

9 August 2017
Half-year press conference

9 November 2017
Quarterly Statement as at 30 September 2017

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