

Half-Year Financial Report
Munich Re

2016

Key figures (IFRS)

Munich Re at a glance

		Q1-2 2016	Q1-2 2015	Change	Q2 2016	Q2 2015	Change
				%			%
Consolidated result	€m	1,411	1,866	-24.4	974	1,075	-9.4
Thereof attributable to non-controlling interests	€m	6	6	9.7	0	6	-97.2
Earnings per share	€	8.69	11.12	-21.9	6.05	6.42	-5.8
Return on risk-adjusted capital (RORAC)	%	11.9	13.8		16.5	15.9	
Return on investment (RoI)	%	3.7	3.6		4.7	4.1	
Return on equity (RoE)	%	8.9	11.7		12.2	13.1	

		30.6.2016	31.12.2015	Change
				%
Book value per share	€	197.75	188.40	5.0
Munich Reinsurance Company's market capitalisation	€bn	24.2	30.8	-21.4
Share price	€	150.25	184.55	-18.6
Equity	€m	32,012	30,966	3.4
Investments	€m	218,805	215,093	1.7
Insurance-related investments	€m	9,293	9,163	1.4
Net technical provisions	€m	200,053	198,455	0.8
Balance sheet total ¹	€m	268,482	268,868	-0.1
Number of staff		43,761	43,554	0.5

Reinsurance

		Q1-2 2016	Q1-2 2015	Change	Q2 2016	Q2 2015	Change
				%			%
Gross premiums written	€m	13,693	14,118	-3.0	6,960	7,108	-2.1
Combined ratio property-casualty	%	94.3	92.8		99.8	93.3	
Investment result	€m	1,160	1,854	-37.4	994	1,285	-22.7
Consolidated result	€m	1,438	1,510	-4.8	992	842	17.8
Thereof: Reinsurance - Life	€m	234	123	90.4	214	53	304.0
Thereof: Reinsurance - Property-casualty	€m	1,203	1,387	-13.2	778	789	-1.4

ERGO

		Q1-2 2016	Q1-2 2015	Change	Q2 2016	Q2 2015	Change
				%			%
Gross premiums written	€m	8,287	8,520	-2.7	3,792	3,935	-3.6
Combined ratio Property-casualty Germany	%	95.9	95.7		93.3	93.4	
Combined ratio International	%	98.5	99.6		103.6	100.4	
Investment result	€m	3,104	2,419	28.3	1,727	1,207	43.0
Consolidated result	€m	-59	317	-	-34	215	-
Thereof: Life and Health Germany	€m	69	105	-34.9	55	53	3.5
Thereof: Property-casualty Germany	€m	-92	186	-	-68	149	-
Thereof: International	€m	-35	25	-	-21	14	-

Munich Health

		Q1-2 2016	Q1-2 2015	Change	Q2 2016	Q2 2015	Change
				%			%
Gross premiums written	€m	2,459	2,867	-14.3	1,176	1,424	-17.4
Combined ratio ²	%	100.8	100.1		101.4	99.8	
Investment result	€m	58	67	-13.8	29	28	2.9
Consolidated result	€m	32	39	-18.5	16	18	-13.5

¹ Previous year figure adjusted owing to IAS 8.

² Excluding health insurance conducted like life insurance.

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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.

Letter to shareholders



Dr. Nikolaus von Bomhard
Chairman of Munich
Reinsurance Company's
Board of Management

Dear Shareholders,

The people of the United Kingdom have voted to leave the European Union. The outcome of the referendum has led to turbulence in the capital markets. Nevertheless, we are posting a good quarterly result. We had to contend with some write-downs on equities, but these were compensated for by high profits on interest-rate hedging instruments and movements in exchange rates. Our conservative investment position stood us in good stead during this critical market phase. In our insurance business, the impact of Brexit on Munich Re is also likely to be manageable, as we transact the lion's share of our UK business locally and not across borders.

However, the medium and long-term political and economic implications of the United Kingdom's departure from the EU could be more significant – and have more of an impact on us. In particular, there is concern that the central banks will expand and prolong their policy of low interest rates and purchasing programmes because of Brexit. On top of this, the exit negotiations could morph into a protracted stalemate. The uncertainty may last a long time, and the accumulated insecurity that we already have is expected to grow even further.

We launched the ERGO Strategy Programme at the beginning of June. A revised strategy had become necessary because in recent years ERGO has not been able to fully exploit its potential. ERGO's market shares in many business segments in Germany are high, and its sales force and international presence are broadly based, yet its sales have been disappointing and its results are lagging behind expectations.

ERGO CEO Markus Rieß has spent the past months closely reviewing ERGO's strengths and weaknesses, and drafting the current strategy with his team. Our shared ambition is to expand ERGO's role as an international primary insurer in a robust domestic market, so that from 2019 onwards ERGO will show stronger growth than the market average. By 2021 at the latest, ERGO will again post an annual result of over €500m, thus making a sustainable and significant contribution to Munich Re's consolidated result. To ensure that this succeeds, we need to invest heavily in infrastructure, product development and new business segments. Therefore, we must be prepared to accept that ERGO will not be able to pay any dividends to its parent company over the next few years.

With the ERGO Strategy Programme, we will increase management efficiency and do away with duplicate structures, especially in sales. We will no longer offer traditional life insurance products with guaranteed interest rates. And we will be separating organisation of the old life portfolio from new business in order to ensure focused management of each portfolio. The Strategy Programme will also entail a painful reduction in jobs, as ERGO will cut a further 1,800 positions by 2020. Overall, savings over the next four years will add up to €540m. The realisation of these efficiency gains and cost savings is necessary, since at present ERGO's costs significantly exceed the market average.

Another important component of the ERGO Strategy Programme is the modernisation of IT infrastructure. Many of ERGO's IT systems are approaching the end of their life cycle. We will take advantage of this need for renewal in order to upgrade ERGO's IT systems, so that we can seize the opportunities of digitalisation. ERGO will be equipped with flexible and agile IT that will enable a far greater automation rate and improved use of large amounts of data.

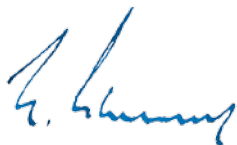
A competitive cost structure and modern IT will put ERGO into a position to win over customers with its innovative products and services. We will further build on ERGO's brand proposition "To insure is to understand" with cross-channel offerings for hybrid customers, a digital brand for online customers, and modular products in property-casualty insurance. In life insurance, ERGO will put the expertise of Munich Re's asset management subsidiary MEAG to even better use, and launch further capital-market related products. We will reinforce commercial and industrial business internationally, and set up a business segment called Mobility Solutions, with which we will take advantage of national and international partnerships – for instance, with automobile manufacturers.

I am convinced that ERGO will become more agile, innovative, digital, competitive and – not least – successful thanks to the Strategy Programme. We are laying the foundations for future growth and for a significant and sustainable contribution to the consolidated result.

In reinsurance – with our broad base, close client relations and innovative strength – we are still in a position to write profitable business, despite the difficult market conditions we are experiencing. Encouragingly, price erosion has decelerated again in the July renewals. It is therefore becoming more likely that prices will bottom out, also because there has been a significant increase in natural-catastrophe losses in the second quarter, following a whole series of quarters with very few major losses.

Overall, we have achieved an excellent result of €974m for the second quarter. And with our half-yearly result of €1,411m, we are well on track to reach our annual target of €2.3bn.

Yours sincerely,



Nikolaus von Bomhard

Interim management report

Business environment

Developments on global financial markets in recent months have continued to pose great challenges for investment. Even before the United Kingdom voted to leave the EU, long-term interest rates had continued to fall. In the middle of June, investors in ten-year German government bonds had to reckon with negative interest rates for the first time ever. The UK vote to leave the EU accelerated the “flight to quality” even further, and put more pressure on interest rates. Whilst the decline in yields leads to higher prices for fixed-income bonds in our portfolio, the lower interest rates diminish regular income from reinvestment. Our regular return on investments in the first half-year was 3.0%, and was thus down 0.2 percentage points on the same period in the previous year (3.2%).

Interest rates on 10-year government bonds

%	30.6.2016	31.12.2015
USA	1.5	2.3
Germany	-0.1	0.6

In June, the European Central Bank started its announced programme to buy corporate bonds, which caused the decline in yields to also deepen in the European corporate bond market. In the USA, the Federal Reserve has not made any adjustments to base rates, contrary to its original intentions. Due to increased insecurity following the British vote to leave the EU, it has become less likely that base rates will be raised in the USA this year. Thus monetary policy remains expansive in the world’s most important economies.

Stock markets

	30.6.2016	31.12.2015
DJ EuroStoxx 50	2,865	3,268
Dow Jones Index	17,930	17,425

Until shortly before the end of the second quarter, volatility in international equities markets had settled down after the turbulence of the start of the year, but increased sharply again after the referendum in the United Kingdom. Important indices in Europe and Japan have recently been at much lower levels than at the start of the first and second quarters, whereas the US Dow Jones index was slightly higher. Largely unaffected by the escapades in the equities markets, the oil price continued the climb that had started at the end of January.

We write a large portion of our business outside the eurozone. If the euro appreciates against other currencies, this has a negative impact on the development of our premium income, whereas premium income increases if the euro loses value. Average exchange rates in the first half of 2016 had a negative year-on-year effect on premium volume. The value shown for investments in non-euro assets is translated at period-end exchange rates, so currency translation effects had a negative impact on the value of investments in the first six months of the year. By contrast, there were significant net currency gains when taking account of changes in the value of our liabilities.

Performance of Munich Re

Key figures

		Q1-2 2016	Q1-2 2015	Change	Q2 2016	Q1 2015	Change
				%			%
Gross premiums written	€m	24,438	25,505	-4.2	11,928	12,467	-4.3
Technical result	€m	1,474	1,780	-17.2	529	869	-39.1
Investment result	€m	4,322	4,341	-0.4	2,750	2,521	9.1
Insurance-related investment result	€m	-177	253	-	31	-326	-
Operating result	€m	2,188	2,813	-22.2	1,463	1,818	-19.5
Taxes on income	€m	-459	-401	-14.3	-302	-251	-20.6
Return on risk-adjusted capital (RORAC)	%	11.9	13.8		16.5	15.9	
Return on equity (RoE)	%	8.9	11.7		12.2	13.1	
Consolidated result	€m	1,411	1,866	-24.4	974	1,075	-9.4
Thereof: Attributable to non-controlling interests	€m	6	6	9.7	0	6	-97.2
					30.6.2016	31.12.2015	Change
					€bn	€bn	%
Equity					32.0	31.0	3.4

In the first half of 2016, Munich Re achieved a consolidated profit of €1.4bn (1.9bn), of which almost €1bn was attributable to the second quarter. Following a low level of claims in the first quarter of the year, we saw higher major-loss expenditure in the second quarter. In addition, we posted restructuring expenses of around €400m gross (around €160m net) for the ERGO Strategy Programme.

Gross premiums written by the Group were down by €1.1bn (-4.2%). If exchange rates had remained unchanged, premium income would have declined by €0.4bn (-1.7%).

The investment result for the second quarter was gratifying, despite substantial capital market upheavals. We posted a high result from disposals, mainly from fixed-interest securities and reversals of impairment losses from ERGO's interest-rate hedging programme as a consequence of the continued fall in interest rates. We were able to generate a very satisfying return on investment for the first half-year for both reinsurance and for ERGO.

The revaluation of balance-sheet items in foreign currencies at period-end exchange rates led to a positive currency result of €320m (-296m), which is recognised in the "other non-operating result". We benefited particularly from the appreciation of the US dollar and depreciation of the British pound as a consequence of Brexit.

In the first two quarters of 2016, we posted taxes on income of €459m (401m), of which €302m (251m) related to the second quarter. The effective tax rate from January to June was 24.5% (17.7%).

The increase in Group equity was largely due to our consolidated profit, and higher on-balance-sheet net unrealised gains on investments due to declining interest rates. Above all, a negative impact derived from the dividend payout (€1.3bn) in April 2016 and from share buy-backs.

We concluded the share buy-back programme announced in March 2015 as planned on 15 April 2016. In March 2016, the Board of Management launched another share buy-back programme. On the basis of the authorisation granted by the Annual General Meeting on 27 April 2016, 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. Overall, as part of our share buy-back programmes, we repurchased 2.3 million Munich Re shares totalling €394m in the first half of 2016.

Business performance

Reinsurance - Life

Key figures

		Q1-2 2016	Q1-2 2015	Change	Q2 2016	Q2 2015	Change
				%			%
Gross premiums written	€m	4,576	5,116	-10.6	2,371	2,704	-12.3
Share of gross premiums written in reinsurance	%	33.4	36.2		34.1	38.0	
Technical result	€m	172	133	29.4	103	31	236.0
Investment result	€m	305	524	-41.8	240	321	-25.2
Operating result	€m	219	272	-19.5	222	190	16.8
Consolidated result	€m	234	123	90.4	214	53	304.0

Premium

With the majority of our business written in other currencies, currency translation effects have a significant impact on premium development. If exchange rates had remained unchanged, our premium volume would have shown a year-on-year decrease of 6.1% for the first six months and 8.0% for the second quarter. This decline was largely attributable to the renewal of a large-volume treaty at a reduced volume with effect from 2016.

Result

The technical result showed an improvement on the first quarter and is in line with our expectations for the second quarter. The same also applies across the board to claims expenditure, given that individual losses involving higher sums insured only occurred in the first quarter. Whilst results in North America presented a very gratifying picture, European markets in particular remained slightly below the previous quarter's level, albeit within the range of normal fluctuations.

The significant decline in the investment result in the first half-year is mainly due to reduced 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. The decreased figure for the second quarter is attributable to reduced regular income and a lower net balance of derivatives compared with the same period last year.

Reinsurance - Property-casualty

Key figures

		Q1-2 2016	Q1-2 2015	Change	Q2 2016	Q2 2015	Change
				%			%
Gross premiums written	€m	9,117	9,002	1.3	4,589	4,404	4.2
Share of gross premiums written in reinsurance	%	66.6	63.8		65.9	62.0	
Loss ratio	%	62.7	61.7		68.5	62.4	
Thereof: Major losses	Percentage points	7.5	5.4		12.3	4.8	
Expense ratio	%	31.6	31.1		31.3	30.9	
Combined ratio	%	94.3	92.8		99.8	93.3	
Technical result	€m	1,044	1,298	-19.5	289	639	-54.7
Investment result	€m	855	1,330	-35.7	754	964	-21.8
Operating result	€m	1,305	1,921	-32.1	788	1,246	-36.8
Consolidated result	€m	1,203	1,387	-13.2	778	789	-1.4
Thereof attributable to non-controlling interests	€m	-1	0	-	0	0	62.2

Premium

In property-casualty reinsurance, premium development largely benefited from the conclusion of new treaties and the increase in participations. By contrast, currency translation effects had an adverse impact. If exchange rates had remained unchanged, premium income would have seen a year-on-year increase of 3.8% for the first six months and 7.9% for the second quarter.

In the renewals 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. Premium volume of around €9.1bn was up for renewal. Owing to new business on the one hand and pressure on prices on the other, total volume was up slightly by 0.7% on balance. The price level, which is an indicator of the profitability of the business, fell by about 1.0%. The renewals at 1 April 2016 involved a relatively small volume of business of around €1.2bn, or some 7% of the overall portfolio in the property-casualty reinsurance segment. About a fifth of this volume concerned the Japanese market, and another 60% North America and worldwide business. At slightly over 30%, natural catastrophe business, which is particularly subject to price pressure, accounted for a relatively high percentage of this volume. The 1.5% fall in prices was therefore greater in comparison with January, but far less pronounced than in the renewals of April 2015. However, selective opportunities were exploited in individual markets, including the writing of a number of structured major treaties. Premium volume rose significantly to around €1.9bn.

Result

The technical result in the property-casualty reinsurance segment fell year on year, largely on account of high major-loss expenditure in the second quarter of 2016.

In the period from January to June, we posted overall major-loss expenditure of €643m (462m), of which €542m (207m) was attributable to the second quarter. In each case, these figures are net of retrocessions and before tax, and are equivalent to 7.5% of net earned premiums for the first half of the year and 12.3% for the second quarter, to be measured against our major-loss projections of 12% of earned premiums.

Claims costs from natural catastrophes amounted to €325m (87m) for the first half of the year and €335m (21m) for the second quarter. In May, strong forest fires in the Canadian province of Alberta caused serious damage, as a consequence of which we anticipate expenditure of around €400m. Further extensive losses were triggered by a series of earthquakes on the Japanese island of Kyushu in April of this year, resulting in expenditure of around €85m. In the second quarter, a contrary effect derived from the release of provisions for major losses in prior years.

Man-made losses amounted to €318m (375m) for the first half of the year and €207m (186m) for the period from April to June.

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 analyses of the claims notifications we receive. As the claims notifications continued to remain appreciably below the expected level, we made reserve releases of around €230m in the second quarter, which is equivalent to 5.1 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, especially as long as inflation remains low.

Result

The combined ratio¹ amounted to 94.3% (92.8%) of net earned premiums. Overall claims expenditure of €5,348m (5,221m) and net operating expenses of €2,700m (2,626m) compared with net earned premiums of €8,535m (8,455m).

The decline in the investment result for January to June is mainly due to lower gains on the disposal of equities. The second quarter was marked by losses on derivatives, especially equity and inflation derivatives.

ERGO

ERGO Group AG (ERGO) announced its Strategy Programme on 1 June 2016. It is strengthening its role as a leading international primary insurer and pressing ahead with the digital transformation of its business. ERGO will invest a total net figure of €1bn up to 2020, i.e. after tax and policyholder participation. The money will largely flow into modernising the Group's information technology. For customers using both online and offline channels, ERGO will develop suitable products that are accessible via the World Wide Web, intuitive, and will provide for rapid and efficient administration and short response times – complemented by personal advice, either online or locally. Customers that only use internet channels for their insurance needs will be able to benefit from the services of a digital insurance company, to be launched under its own brand by ERGO in 2017. By consolidating sales organisations and paring down administration costs, ERGO plans to lower its cost basis by around €540m gross (€280m net) by 2020. The measures will lead to the loss of around 1,800 jobs in Germany.

By 2021 at the latest, ERGO expects annual net profits of over €500 million, thus making a sustainable contribution to the annual result of Munich Re. From 2019, ERGO aims to grow more strongly than the market.

ERGO Life and Health Germany**Key figures**

		Q1-2 2016	Q1-2 2015	Change	Q2 2016	Q2 2015	Change
				%			%
Total premium income ¹	€m	4,988	5,187	-3.8	2,488	2,585	-3.7
Gross premiums written	€m	4,520	4,727	-4.4	2,188	2,315	-5.5
Share of gross premiums written by ERGO	%	54.5	55.5		57.7	58.8	
Technical result	€m	202	211	-4.2	119	122	-3.0
Investment result	€m	2,803	1,979	41.6	1,538	912	68.6
Operating result	€m	524	231	126.5	346	114	204.0
Consolidated result	€m	69	105	-34.9	55	53	3.5

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.

¹ The calculation of the combined ratio for the property-casualty reinsurance segment does not take into account claims expenditure of €3m (0m) included in the item "Net expenses for claims and benefits" of the segment income statement (page 40 f.). This involves fire brigade taxes and other technical income and expenses. Information on the combined ratio is available in our Annual Report 2015 on page 43 f.

Premium

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

In the Life Germany field of business, total premium income fell by 9.1% to €1,824m (2,007m) for the first six months, and by 10.7% to €905m (1,014m) for the second quarter. Gross premiums written were down by 12.0% to €1,403m (1,593m) for the first six months, and amounted to €630m (765m) for the period from April to June. The 5.0% decrease in regular premium income was attributable to the continued decline in insurance contracts. New regular premium business showed a 5.7% reduction, and new single-premium business was down by 27.0%, mainly reflecting the fall in sales. Overall, new business decreased by 22.6% in the first half-year. 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 11.6%.

In our Health Germany field of business, premium income dipped 0.5% under the previous year's figure to €2,606m (2,619m) in the first half of the year, but grew by 0.6% to €1,311m (1,304m) in the second quarter. Premium in supplementary health insurance fell slightly by 3.9%, chiefly owing to the termination of a large treaty. In comprehensive health insurance, premium volume was on a par with the same period last year.

Total premium for direct business in Germany decreased year on year by 0.4% to €558m (560m) in the period from January to June, but rose by 1.5% to €271m (267m) in the second quarter. The discontinuation of single-premium annuity business and the decrease in regular premium income from capital products in life insurance was only partly offset by growth in health insurance. Gross premiums written saw a slight downturn of 0.5% to €512m (515m) for the first half year, and totalled €247m for the months of April to June – the same level as last year (€247m). In terms of annual premium equivalent, our new business volume for the first half of 2016 maintained the same level as last year.

Result

The technical result generated by the ERGO Life and Health Germany segment in the first half-year and second quarter of 2016 was slightly down compared with the figures for the same periods last year. Improvements in Life Germany and in direct business in Germany could not make up for the reduction in Health Germany. The investment result was up year on year both for the first half-year and second quarter, largely owing to gains on our interest-rate hedges and a higher result from disposals, especially of fixed-interest securities. Whilst the operating result was positively distorted by the policyholder participation in one-off effects on the non-operating result, the consolidated result declined in the first half of the year. In particular, a higher provision for tax risks had a negative impact on the result.

ERGO Property-casualty Germany

Key figures

		Q1-2 2016	Q1-2 2015	Change	Q2 2016	Q2 2015	Change
				%			%
Gross premiums written	€m	1,865	1,831	1.9	646	638	1.2
Share of gross premiums written by ERGO	%	22.5	21.5		17.0	16.2	
Loss ratio	%	60.5	62.8		58.4	61.7	
Expense ratio	%	35.4	32.9		34.9	31.7	
Combined ratio	%	95.9	95.7		93.3	93.4	
Technical result	€m	84	95	-12.0	69	67	3.4
Investment result	€m	8	200	-95.9	23	141	-83.5
Operating result	€m	38	254	-85.1	72	191	-62.5
Consolidated result	€m	-92	186	-	-68	149	-
Thereof attributable to non-controlling interests	€m	0	0	-	0	0	-61.1

Premium

The increase in premium income in Property-casualty Germany was mainly due to the expansion of title insurance business at our UK branch. In the other classes of business, performance varied in the period from January to June: premium volume climbed by 2.8% in motor insurance, 1.5% in legal protection insurance, 1.3% in fire and property business, and 1.0% in liability insurance. We generated lower premium volume in marine and aviation (-4.3%) and in personal accident insurance (-2.3%) than in the same period last year.

Result

The technical result in the ERGO Property-casualty Germany segment fell in the first half of 2016, but the second quarter saw an increased result. Despite premium growth, higher costs reduced the result for the first half-year. The investment result declined significantly, the figure mainly reflecting lower gains on the disposal of shares and higher write-downs of equities.

The combined ratio² for the second quarter was somewhat below that of the same period last year, whilst we posted a modest increase for the first half-year 2016. This was mainly due to an increased expense ratio owing to the expansion of title insurance business.

In the first six months of 2016, natural catastrophe losses and man-made major losses saw a slight increase year on year. However, this was offset by releases of loss reserves in individual classes of business and business expansion in title insurance, which had a positive impact on the loss ratio. Overall claims expenditure of €955m (940m) and net operating expenses of €558m (493m) compared with net earned premiums of €1,578m (1,497m).

The reduced investment result and restructuring expenses were responsible for a negative consolidated result in the first six months and second quarter of 2016.

² The calculation of the combined ratio for the ERGO Property-casualty Germany segment does not take into account claims expenditure of €18m (13m) included in the item "Net expenses for claims and benefits" of the segment income statement (page 40 f.). These essentially involve expenses for premium refunds and fire brigade taxes. Information on the combined ratio is available in our Annual Report 2015 on page 43 f.

ERGO International

Key figures

		Q1-2 2016	Q1-2 2015	Change	Q2 2016	Q2 2015	Change
				%			%
Total premium income ¹	€m	2,080	2,149	-3.2	1,045	1,074	-2.7
Gross premiums written	€m	1,901	1,961	-3.1	958	981	-2.3
Share of gross premiums written by ERGO	%	22.9	23.0		25.3	24.9	
Loss ratio	%	59.2	59.4		62.7	58.7	
Expense ratio	%	39.3	40.2		40.9	41.7	
Combined ratio	%	98.5	99.6		103.6	100.4	
Technical result	€m	-9	45	-	-35	4	-
Investment result	€m	293	240	22.1	166	154	7.4
Operating result	€m	75	90	-16.2	28	54	-47.9
Consolidated result	€m	-35	25	-	-21	14	-
Thereof attributable to non-controlling interests	€m	3	5	-40.3	-1	4	-

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.

ERGO has expanded its involvement in India and increased its stake in HDFC ERGO to 49% in the second quarter. In turn, HDFC ERGO acquired 100% of L&T General Insurance Company Ltd. (LTGI). By acquiring LTGI, HDFC ERGO has gained access to further sales channels, and now ranks third among private insurance companies in the Indian property insurance market.

In addition, ERGO has entered Thailand's insurance market by acquiring a 40% stake in Thaisri Insurance.

Both transactions are subject to approval by the supervisory authorities.

Premium

Approximately 35% of the segment's premium income derives from life insurance, and around 65% from property-casualty insurance. Our biggest markets are Poland (accounting for approximately 31% of our premium volume), Austria (around 17%) and Belgium (around 8%).

Overall, we posted a decline in total premium income and gross premiums written because of a reduction in premium volume in life insurance business. Adjusted to eliminate currency translation effects, gross premiums written in the ERGO International segment would have increased by 0.6% compared with the previous year. The biggest negative currency translation effects were seen in Poland, Turkey, and Russia.

In international life insurance, we generated lower total premium income for the first half-year and second quarter. The marked decrease is due in particular to developments in Poland. In terms of the annual premium equivalent, new business in international life insurance was down year on year by 8.1%. In international property-casualty insurance, we posted an increase in premium income of 4.0% to €1,229m (1,183m) for January to June and 3.2% to €614m (595m) for the months of April to June. The higher premium income for the first half of the year mainly resulted from developments in Poland and the Baltic states, where motor business saw especially strong growth.

Result

The technical result in the ERGO International segment deteriorated year on year both for the first six months and second quarter. The negative development in the first half-year was exclusively attributable to life insurance business, largely owing to the results of our Italian subsidiary, which has now been sold. By contrast, property-casualty insurance showed an improvement. The investment result for the period January to June and April to June was up on the same period last year, the increase being due for the most part to a higher net balance of derivatives, in particular from our interest-rate hedges.

For the period from January to June, we achieved an improvement in the combined ratio³ in international property-casualty insurance. In Turkey, the loss ratio decreased in motor third-party liability insurance, and in Greece, the loss ratio was down owing to a positive run-off result and lower claims expenditure in the first half of 2016. However, in the second quarter the combined ratio was up on the same period last year. Overall claims expenditure of €336m (311m) and net operating expenses of €219m (221m) compared with net earned premiums of €536m (531m).

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

Munich Health

Key figures

		Q1-2 2016	Q1-2 2015	Change	Q2 2016	Q2 2015	Change
				%			%
Gross premiums written	€m	2,459	2,867	-14.3	1,176	1,424	-17.4
Loss ratio ¹	%	85.1	84.7		85.6	85.3	
Expense ratio ¹	%	15.8	15.4		15.9	14.5	
Combined ratio ¹	%	100.8	100.1		101.4	99.8	
Technical result	€m	-20	-2	<-1,000.0	-16	5	-
Investment result	€m	58	67	-13.8	29	28	2.9
Operating result	€m	28	44	-37.7	8	23	-66.2
Consolidated result	€m	32	39	-18.5	16	18	-13.5
Thereof attributable to non-controlling interests	€m	4	0	<1,000.0	1	1	3.4

1 Excluding business conducted like life insurance.

Premium

The decrease in reinsurance premium volume by 20.2% to €1,753m (2,198m) in the first half-year was mainly attributable to the reduction of Munich Re's share in a large-volume treaty in North America and to negative currency translation effects, particularly for the Canadian dollar. In primary insurance, premium income saw positive growth in Spain, Belgium and Qatar, rising by 5.4% to €706m (669m). If exchange rates had remained the same, Munich Health's gross premiums would have decreased year on year by 11.0%.

3 The combined ratio for the ERGO International segment relates only to property-casualty business. The calculation does not take into account claims expenditure of €5m (2m) included in the item "Net expenses for claims and benefits" of the segment income statement (page 40 f.). These essentially comprise other technical income and expenses. Information on the combined ratio is available in our Annual Report 2015 on page 43 f.

Result

The technical result in reinsurance fell due to the reduction of Munich Re's share in a large-volume treaty in North America, and difficult economic conditions in the Middle East also had a negative impact. The reduction in technical interest rates and negative currency translation effects also contributed to the decreased result, and mask the improved results in Spanish primary insurance and at our subsidiary Globality.

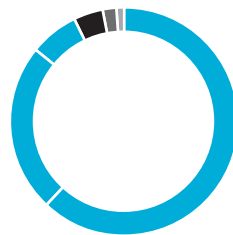
The combined ratio⁴ for the period from January to June showed an improvement on that of the previous year. Overall claims expenditure of €1,827m (2,138m) and net operating expenses of €339m (388m) compared with net earned premiums of €2,148m (2,523m). Munich Health's combined ratio relates only to short-term health business, not to business conducted like life insurance. Business conducted like life insurance accounted for 10.8% (9.0%) of gross premiums written in the first half of the year. In reinsurance, the combined ratio was 102.1% (100.6%) in the first six months and 103.0% (100.4%) in the second quarter; in primary insurance the combined ratio was 95.6% (97.2%) for the first half-year and 94.6% (96.3%) in the second quarter.

There was a reduction in the investment result in the first half-year. The previous year included profits from a subsequent purchase price adjustment from the sale of the Windsor Health Group. In the second quarter, the investment result remained largely unchanged year on year.

Investment performance

Investments by type according to carrying amounts

Total: €219bn (215bn)



Fixed-interest securities	62% (60%)
Loans	24% (25%)
Miscellaneous investments	7% (8%)
Shares and equity funds	4% (5%)
Real estate	2% (2%)
Participating interests	1% (1%)

Our investment portfolio is decisively shaped by fixed-interest securities and loans. Interest rates had fallen to a new historical low in the second quarter of 2016. Even yields on ten-year German government bonds were negative. The fall in interest rates led to increasing market and carrying values.

In the first half of the year, we increased our positions in corporate and government bonds and reduced our holdings in covered bonds.

⁴ Net expenses for claims and benefits, and net operating expenses recognised in the Munich Health segment and apportionable to property-casualty business are fully included in the calculation of the combined ratio. Information on the combined ratio is available in our Annual Report 2015 on page 43 f.

The decline in interest rates resulted in an increase in on- and off-balance-sheet unrealised gains, which 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 €35.1bn at 30 June 2016.

Other securities available for sale

€m	Carrying amounts		On-balance-sheet unrealised gains and losses		At amortised cost	
	30.6.2016	31.12.2015	30.6.2016	31.12.2015	30.6.2016	31.12.2015
Fixed-interest	133,477	127,661	13,685	7,886	119,792	119,775
Non-fixed-interest	12,661	13,882	1,966	2,446	10,695	11,436
Total	146,138	141,543	15,651	10,332	130,487	131,211

Off-balance-sheet unrealised gains and losses

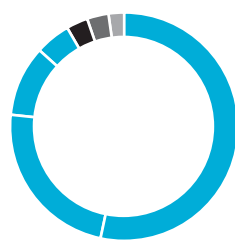
€m	Fair values		Off-balance-sheet unrealised gains and losses		Carrying amounts	
	30.6.2016	31.12.2015	30.6.2016	31.12.2015	30.6.2016	31.12.2015
Land and buildings ¹	9,406	9,514	2,720	2,795	6,687	6,719
Associates	1,915	1,678	613	553	1,302	1,125
Loans	69,524	66,126	15,926	12,610	53,598	53,516
Total	80,845	77,318	19,258	15,958	61,587	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 categories¹

Total: €214bn (203bn)



- 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 53% 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, Italian and Canadian bonds. 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 Germany, the UK and Portugal.

The vast majority of our government bonds continue to come from countries with a high credit rating. As part of our risk management, we gear our risk capital requirements and limits to the ratings of the relevant issuers, and do not treat any of the bonds as risk-free.

Our portfolio of covered bonds decreased, and 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 3% (3%) of our portfolio of fixed-interest securities. Corporate bonds from other sectors account for 10% (10%) of our fixed-interest portfolio. Derivatives increase this exposure by a further percentage point.

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 (before taking derivatives into account, and including investments at market value in affiliated companies, associates and joint ventures) fell in the first half-year. Our equity-backing ratio amounted to 4.6% (5.2%). In the run-up to the referendum in the United Kingdom, we reduced our exposure to equities, including derivatives. Including derivatives, our equity backing ratio was 3.6% (4.8%). Besides this, we protect ourselves against accelerated inflation by holding inflation-linked bonds with a market value of €8.9bn (8.9bn). We significantly reduced our exposure to inflation-linked swaps in the second quarter to €0.9bn (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 result¹

	Q1-2 2016	Return ²	Q1-2 2015	Return ²	Q2 2016	Q2 2015
	€m	%	€m	%	€m	€m
Regular income	3,451	3.0	3,863	3.2	1,823	2,062
Write-ups/write-downs of non-derivative investments	-242	-0.2	-239	-0.2	-22	-86
Gains/losses on the disposal of non-derivative investments	1,128	1.0	1,806	1.5	910	809
Net balance of derivatives	251	0.2	-841	-0.7	176	-135
Other income/expenses	-266	-0.2	-250	-0.2	-137	-128
Total	4,322	3.7	4,341	3.6	2,750	2,521

¹ The investment result by type can be found in the notes to the consolidated financial statements on p. 65 f.

² Annualised return in % p.a. on the average market value of the investment portfolio at the quarterly reporting dates. The denominator to calculate the annualised return for the first six months based on the overall investment portfolio (3.7%) is calculated from the mean value of these figures: investment portfolio (carrying amount) as at 31 December 2015 (€215,093m), 31 March 2016 (€214,828m) and 30 June 2016 (€218,805m), and off-balance-sheet unrealised gains and losses excluding owner-occupied property as at 31 December 2015 (€15,436m), 31 March 2016 (€18,114m), and 30 June 2016 (€18,714m).

Largely as a consequence of the decline in portfolio interest rates, regular income fell year on year in the first half-year and second quarter of 2016. This was caused mainly by historically low interest-rate levels and current negative yields on ten-year German government bonds. For the period from April to June, the return on reinvestment averaged 1.6% (2.1%) and thus remained far lower than the average return on our existing portfolio of fixed-interest investments.

The net balance of write-downs and write-ups of non-derivative investments for the first half-year was mostly unchanged year on year, with significantly lower net write-downs in the second quarter. This was mainly due to reversals of impairment losses on our gold portfolio and on our investments in renewable energies.

From January to June 2016, we posted net gains on the disposal of non-derivative investments that were lower year on year. The year-on-year decrease is mainly due to lower gains on the disposal of equities and fixed-interest securities, and to losses from the disposal of high-yield corporate bonds in the first quarter of 2016. We posted higher net gains on disposals in the second quarter of 2016, mainly from the disposal of fixed-interest securities.

We posted a positive net balance from write-ups and write-downs of derivatives in the first half of 2016 and in the first quarter. Given the further decline in interest rates, the profits mainly derive from ERGO's interest-rate hedging programme. By contrast, we posted losses on our equity derivatives in reinsurance in the first half-year, and especially on our inflation-linked swaps in the second quarter.

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

		As at 30.6.2016	From Q1 2016	From Annual Report 2015
Gross premiums written	€bn	47-49	47-49	47-49
Technical result - Life reinsurance	€m	400	400	400
Combined ratio - Property-casualty reinsurance	%	95	95	98
Combined ratio - ERGO Property-casualty Germany	%	98	95	95
Combined ratio - ERGO Property-casualty International	%	99	99	99
Combined ratio - Munich Health	%	99	99	99
Return on investment ¹	%	Around 3	Around 3	Around 3
RORAC	%	15	15	15
Consolidated result	€bn	2.3	2.3	2.3-2.8

¹ Excluding insurance-related investments.

Compared with our forecasts made in the Annual Report 2015, we anticipate the following developments after the first half-year 2016:

At 1 July 2016, a volume of around €2.1bn, or approximately 12% of the overall portfolio, was up for renewal in the property-casualty reinsurance segment. About 15% of this volume was from Australia, 11% from Latin America, and another 65% from North America and worldwide business. These renewals again comprised a high percentage of the highly competitive natural catastrophe business - around 21% of the premium worldwide. Here in particular, pressure on prices remained, but there were further signs of stabilisation. On balance, we had to accept a slight reduction of 0.4% in the price level for the renewed portfolio. Premium volume remained almost stable overall. Price and cycle-management-related decreases in business volume were almost entirely offset by writing attractive new business.

For property-casualty reinsurance, the forecast we published in our Annual Report 2015 envisaged a combined ratio of around 98% of net earned premiums. Since the low incidence of major losses up to February had already been taken into account in this forecast, and far fewer major losses than expected occurred in the months of March and April, we reduced our forecast for the combined ratio to 95% in the first quarter of the year. If major-loss expenditure is normal in the third and fourth quarters, we still expect a combined ratio of 95% for the full year. This is ambitious, because despite a much lower level of major losses in April, major losses for the whole second quarter were in line with expected levels at 12.3% of earned premiums.

At the beginning of the year, we had anticipated a combined ratio of 95% for the ERGO Property-casualty Germany segment. We now expect a ratio of 98% owing to the investments arising as part of the ERGO Strategy Programme.

In our outlook at the start of the year, we envisaged a consolidated result in the range of €2.3–2.8bn. In the results for the first quarter that we published in May of this year, we adjusted this figure to €2.3bn, which is at the lower end of our original result forecast. Unlike at the beginning of the year, this figure includes the expenditure attributable to 2016 for the implementation of ERGO's Strategy Programme and the strains owing to capital market volatility. We are holding to this result forecast. Due to the impact of the ERGO Strategy Programme, it is unlikely that ERGO will generate a profit in 2016.

Our good capitalisation enables us to continue taking selective advantage of opportunities for profitable growth in individual regions and classes of business. We intend to carry on returning excess capital to equity holders in future as well. We therefore intend to buy back own shares for a maximum purchase price of €1bn by the Annual General Meeting in April 2017.

Beyond this, the statements relating to opportunities as presented in the Munich Re (Group) Annual Report 2015 apply unchanged. The risk situation has worsened in the first half-year of 2016 compared with the end of the 2015 financial year. This is mainly because of strong falls in interest rates and increased volatility, and has led to a lowering of the Solvency II ratio at Group level. However, the Solvency II ratio is still above the target capitalisation level.

Condensed interim consolidated financial statements

Consolidated balance sheet as at 30 June 2016¹

Assets

	30.6.2016		31.12.2015	Change	
	€m	€m	€m	€m	%
A. Intangible assets					
I. Goodwill		2,737	2,790	-53	-1.9
II. Other intangible assets		1,089	1,171	-83	-7.1
		3,826	3,961	-135	-3.4
B. Investments					
I. Land and buildings, including buildings on third-party land		4,322	4,317	5	0.1
II. Investments in affiliated companies, associates and joint ventures		1,447	1,278	169	13.2
Thereof:					
Associates and joint ventures accounted for using the equity method		1,302	1,125	178	15.8
III. Loans		53,598	53,516	82	0.2
IV. Other securities					
1. Available for sale	146,138		141,543	4,595	3.2
2. At fair value through profit or loss	3,793		2,551	1,243	48.7
		149,931	144,094	5,838	4.1
V. Deposits retained on assumed reinsurance		5,105	7,253	-2,149	-29.6
VI. Other investments		4,402	4,635	-233	-5.0
		218,805	215,093	3,712	1.7
C. Insurance-related investments		9,293	9,163	130	1.4
D. Ceded share of technical provisions		4,446	4,327	119	2.7
E. Receivables					
I. Current tax receivables		723	569	154	27.2
II. Other receivables		12,973	11,823	1,150	9.7
		13,696	12,391	1,304	10.5
F. Cash at banks, cheques and cash in hand		5,631	3,955	1,676	42.4
G. Deferred acquisition costs					
Gross		9,266	9,428	-162	-1.7
Ceded share		-105	-80	-24	-30.4
Net		9,161	9,348	-187	-2.0
H. Deferred tax assets		259	206	53	25.8
I. Other assets		3,312	3,477	-165	-4.7
J. Assets held for sale		54	6,947	-6,893	-99.2
Total assets		268,482	268,868	-386	-0.1

¹ Previous year's figures adjusted owing to IAS 8.

Equity and liabilities

		30.6.2016	31.12.2015		Change
	€m	€m	€m	€m	%
A. Equity					
I. Issued capital and capital reserve	7,430		7,418	12	0.2
II. Retained earnings	15,265		14,110	1,154	8.2
III. Other reserves	7,631		6,032	1,599	26.5
IV. Consolidated result attributable to Munich Reinsurance Company equity holders	1,404		3,107	-1,703	-54.8
V. Non-controlling interests	283		298	-16	-5.3
		32,012	30,966	1,046	3.4
B. Subordinated liabilities		4,272	4,416	-144	-3.3
C. Gross technical provisions					
I. Unearned premiums	9,210		8,841	369	4.2
II. Provision for future policy benefits	107,599		108,572	-972	-0.9
III. Provision for outstanding claims	59,762		59,756	6	0.0
IV. Other technical provisions	19,928		17,413	2,515	14.4
		196,499	194,582	1,917	1.0
D. Gross technical provisions for unit-linked life insurance		8,000	8,201	-200	-2.4
E. Other accrued liabilities		4,856	4,145	711	17.2
F. Liabilities					
I. Bonds and notes issued	307		314	-7	-2.2
II. Deposits retained on ceded business	1,557		1,521	36	2.4
III. Current tax liabilities	2,208		2,018	190	9.4
IV. Other liabilities	15,588		14,061	1,527	10.9
		19,660	17,914	1,746	9.7
G. Deferred tax liabilities		3,182	2,343	839	35.8
H. Liabilities related to assets held for sale		0	6,301	-6,301	-100.0
Total equity and liabilities		268,482	268,868	-386	-0.1

Consolidated income statement
1 January to 30 June 2016

Items	Q1-2 2016			Q1-2 2015		Change	
	€m	€m	€m	€m	€m	%	
Gross premiums written	24,438			25,505	-1,067	-4.2	
1. Earned premiums							
Gross	23,850			24,940	-1,091	-4.4	
Ceded	-700			-729	29	4.0	
Net		23,150		24,211	-1,062	-4.4	
2. Income from technical interest		3,321		3,511	-190	-5.4	
3. Expenses for claims and benefits							
Gross	-19,320			-20,320	1,000	4.9	
Ceded share	281			423	-142	-33.5	
Net		-19,039		-19,897	858	4.3	
4. Operating expenses							
Gross	-6,105			-6,174	69	1.1	
Ceded share	147			129	18	13.9	
Net		-5,958		-6,045	87	1.4	
5. Technical result (1-4)			1,474	1,780	-306	-17.2	
6. Investment result		4,322		4,341	-18	-0.4	
Thereof:							
Income from associates and joint ventures accounted for using the equity method		79		127	-48	-37.9	
7. Insurance-related investment result		-177		253	-430	-	
8. Other operating income		357		388	-31	-8.1	
9. Other operating expenses		-466		-438	-28	-6.4	
10. Deduction of income from technical interest		-3,321		-3,511	190	5.4	
11. Non-technical result (6-10)			714	1,033	-318	-30.8	
12. Operating result (5+11)			2,188	2,813	-625	-22.2	
13. Other non-operating result			-201	-426	225	52.8	
14. Impairment losses of goodwill			-9	0	-9	-	
15. Net finance costs			-108	-120	12	9.8	
16. Taxes on income			-459	-401	-58	-14.3	
17. Consolidated result (12-16)			1,411	1,866	-455	-24.4	
Thereof:							
Attributable to Munich Reinsurance Company equity holders			1,404	1,860	-456	-24.5	
Attributable to non-controlling interests			6	6	1	9.7	
			€	€	€	%	
Earnings per share			8.69	11.12	-2.43	-21.9	

Consolidated income statement 1 April to 30 June 2016

Items

	Q2 2016		Q2 2015		Change	
	€m	€m	€m	€m	€m	%
Gross premiums written	11,928			12,467	-540	-4.3
1. Earned premiums						
Gross	12,165			12,758	-593	-4.6
Ceded	-357			-406	49	12.0
Net		11,808		12,351	-544	-4.4
2. Income from technical interest		1,810		1,244	566	45.5
3. Expenses for claims and benefits						
Gross	-10,154			-9,940	-215	-2.2
Ceded share	84			239	-155	-64.7
Net		-10,070		-9,701	-370	-3.8
4. Operating expenses						
Gross	-3,107			-3,115	7	0.2
Ceded share	89			88	1	0.9
Net		-3,018		-3,026	8	0.3
5. Technical result (1-4)			529	869	-340	-39.1
6. Investment result		2,750		2,521	229	9.1
Thereof:						
Income from associates and joint ventures accounted for using the equity method		77		88	-11	-12.0
7. Insurance-related investment result		31		-326	357	-
8. Other operating income		175		208	-33	-15.9
9. Other operating expenses		-212		-210	-2	-1.2
10. Deduction of income from technical interest		-1,810		-1,244	-566	-45.5
11. Non-technical result (6-10)			933	949	-16	-1.6
12. Operating result (5+11)			1,463	1,818	-355	-19.5
13. Other non-operating result			-120	-432	313	72.3
14. Impairment losses of goodwill			-9	0	-9	-
15. Net finance costs			-58	-60	2	3.8
16. Taxes on income			-302	-251	-52	-20.6
17. Consolidated result (12-16)			974	1,075	-101	-9.4
Thereof:						
Attributable to Munich Reinsurance Company equity holders			974	1,070	-96	-9.0
Attributable to non-controlling interests			0	6	-5	-97.2
			€	€	€	%
Earnings per share			6.05	6.42	-0.37	-5.8

Consolidated income statement¹
(quarterly breakdown)

Items	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
	€m	€m	€m	€m	€m	€m
Gross premiums written	11,928	12,511	12,388	12,481	12,467	13,038
1. Earned premiums						
Gross	12,165	11,685	12,904	12,374	12,758	12,183
Ceded	-357	-342	-763	-419	-406	-323
Net	11,808	11,342	12,142	11,956	12,351	11,860
2. Income from technical interest	1,810	1,511	1,778	1,424	1,244	2,267
3. Expenses for claims and benefits						
Gross	-10,154	-9,166	-9,555	-9,881	-9,940	-10,380
Ceded share	84	197	398	204	239	184
Net	-10,070	-8,969	-9,156	-9,677	-9,701	-10,196
4. Operating expenses						
Gross	-3,107	-2,998	-3,702	-2,970	-3,115	-3,059
Ceded share	89	58	260	90	88	41
Net	-3,018	-2,940	-3,442	-2,880	-3,026	-3,019
5. Technical result (1-4)	529	945	1,322	822	869	912
6. Investment result	2,750	1,572	1,664	1,532	2,521	1,820
Thereof:						
Income from associates and joint ventures accounted for using the equity method	77	2	0	248	88	40
7. Insurance-related investment result	31	-208	210	-322	-326	579
8. Other operating income	175	181	285	200	208	180
9. Other operating expenses	-212	-254	-275	-228	-210	-228
10. Deduction of income from technical interest	-1,810	-1,511	-1,778	-1,424	-1,244	-2,267
11. Non-technical result (6-10)	933	-219	105	-242	949	84
12. Operating result (5+11)	1,463	726	1,427	580	1,818	995
13. Other non-operating result	-120	-82	-8	-97	-432	6
14. Impairment losses of goodwill	-9	0	-452	0	0	0
15. Net finance costs	-58	-51	-60	-58	-60	-60
16. Taxes on income	-302	-157	-175	101	-251	-151
17. Consolidated result (12-16)	974	436	731	525	1,075	790
Thereof:						
Attributable to Munich Reinsurance Company equity holders	974	430	728	520	1,070	790
Attributable to non-controlling interests	0	6	3	5	6	0
	€	€	€	€	€	€
Earnings per share	6.05	2.65	4.45	3.14	6.42	4.71

¹ Previous year's figures adjusted owing to IAS 8.

Statement of recognised income and expense
1 January to 30 June 2016

€m		Q1-2 2016	Q1-2 2015
Consolidated result		1,411	1,866
Currency translation			
Gains (losses) recognised in equity	-388		1,359
Recognised in the consolidated income statement	0		0
Unrealised gains and losses on investments			
Gains (losses) recognised in equity	2,452		-208
Recognised in the consolidated income statement	-441		-993
Change resulting from valuation at equity			
Gains (losses) recognised in equity	-2		-24
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	1		0
I. Items where income and expenses recognised directly in equity are reallocated to the consolidated income statement	1,621		135
Remeasurements of defined benefit plans	-263		108
Other changes	0		0
II. Items where income and expenses recognised directly in equity are not reallocated to the consolidated income statement	-263		108
Income and expense recognised directly in equity (I + II)		1,359	243
Total recognised income and expense		2,769	2,109
Thereof:			
Attributable to Munich Reinsurance Company equity holders		2,771	2,100
Attributable to non-controlling interests		-2	9

Statement of recognised income and expense 1 April to 30 June 2016

€m		Q2 2016	Q2 2015
Consolidated result		974	1,076
Currency translation			
Gains (losses) recognised in equity	272		-498
Recognised in the consolidated income statement	0		0
Unrealised gains and losses on investments			
Gains (losses) recognised in equity	1,140		-2,673
Recognised in the consolidated income statement	-524		-563
Change resulting from valuation at equity			
Gains (losses) recognised in equity	-17		-24
Recognised in the consolidated income statement	0		0
Change resulting from cash flow hedges			
Gains (losses) recognised in equity	0		0
Recognised in the consolidated income statement	0		0
Other changes	1		0
I. Items where income and expenses recognised directly in equity are reallocated to the consolidated income statement	871		-3,758
Remeasurements of defined benefit plans	-135		46
Other changes	0		0
II. Items where income and expenses recognised directly in equity are not reallocated to the consolidated income statement	-135		46
Income and expense recognised directly in equity (I + II)		737	-3,712
Total recognised income and expense		1,711	-2,636
Thereof:			
Attributable to Munich Reinsurance Company equity holders		1,713	-2,638
Attributable to non-controlling interests		-2	2

Group statement of changes in equity

	Issued capital	Capital reserve
€m		
Status at 31.12.2014	572	6,845
Allocation to retained earnings	0	0
Consolidated result	0	0
Income and expense recognised directly in equity	0	0
Currency translation	0	0
Unrealised gains and losses on investments	0	0
Change resulting from valuation at equity	0	0
Change resulting from cash flow hedges	0	0
Remeasurements of defined benefit plans	0	0
Other changes	0	0
Total recognised income and expense	0	0
Change in shareholdings in subsidiaries	0	0
Change in consolidated group	0	0
Dividend	0	0
Purchase/sale of own shares	-8	0
Retirement of own shares	21	0
Status at 30.6.2015	585	6,845
Status at 31.12.2015	573	6,845
Allocation to retained earnings	0	0
Consolidated result	0	0
Income and expense recognised directly in equity	0	0
Currency translation	0	0
Unrealised gains and losses on investments	0	0
Change resulting from valuation at equity	0	0
Change resulting from cash flow hedges	0	0
Remeasurements of defined benefit plans	0	0
Other changes	0	0
Total recognised income and expense	0	0
Change in shareholdings in subsidiaries	0	0
Change in consolidated group	0	0
Dividend	0	0
Purchase/sale of own shares	-8	0
Retirement of own shares	20	0
Status at 30.6.2016	586	6,845

		Equity attributable to Munich Reinsurance Company equity holders				Non-controlling interests	Total equity
Retained earnings		Other reserves			Consolidated result		
Retained earnings before deduction of own shares	Own shares held	Unrealised gains and losses	Reserve from currency translation	Valuation result from cash flow hedges			
13,669	-678	6,026	434	-2	3,152	271	30,289
1,859	0	0	0	0	-1,859	0	0
0	0	0	0	0	1,860	6	1,866
96	0	-1,210	1,355	-1	0	3	243
0	0	0	1,355	0	0	4	1,359
0	0	-1,197	0	0	0	-4	-1,201
-9	0	-13	0	-2	0	0	-24
0	0	0	0	1	0	0	1
105	0	0	0	0	0	3	108
0	0	0	0	0	0	0	0
96	0	-1,210	1,355	-1	1,860	9	2,109
0	0	0	0	0	0	0	0
0	0	0	0	0	0	-3	-3
0	0	0	0	0	-1,293	-2	-1,295
0	-414	0	0	0	0	0	-422
-1,002	1,002	0	0	0	0	0	21
14,622	-90	4,816	1,789	-3	1,860	275	30,699
14,793	-683	4,185	1,848	-1	3,107	298	30,966
1,778	0	0	0	0	-1,778	0	0
0	0	0	0	0	1,404	6	1,411
-232	0	1,990	-385	-6	0	-8	1,359
0	0	0	-385	0	0	-3	-388
0	0	2,014	0	0	0	-3	2,011
28	0	-24	0	-6	0	0	-2
0	0	0	0	0	0	0	0
-260	0	0	0	0	0	-2	-263
0	0	0	0	0	0	1	1
-232	0	1,990	-385	-6	1,404	-2	2,769
11	0	0	0	0	0	-13	-1
0	0	0	0	0	0	0	0
0	0	0	0	0	-1,329	-1	-1,330
0	-405	0	0	0	0	0	-414
-999	999	0	0	0	0	0	20
15,354	-89	6,175	1,463	-7	1,404	283	32,012

Condensed consolidated cash flow statement
1 January to 30 June 2016

€m	Q1-2 2016	Q1-2 2015
Consolidated result	1,411	1,866
Net change in technical provisions	622	4,309
Change in deferred acquisition costs	185	-123
Change in deposits retained and accounts receivable and payable	939	-275
Change in other receivables and liabilities	981	-272
Gains and losses on the disposal of investments	-912	-1,168
Change in securities at fair value through profit or loss	-1,326	-839
Change in other balance sheet items	437	27
Other income/expenses without impact on cash flow	60	-555
I. Cash flows from operating activities	2,397	2,970
Change from losing control of consolidated subsidiaries	244	16
Change from obtaining control of consolidated subsidiaries	-6	-4
Change from the acquisition, sale and maturities of other investments	878	-556
Change from the acquisition and sale of investments for unit-linked life insurance contracts	-51	-301
Other	57	43
II. Cash flows from investing activities	1,122	-802
Inflows from increases in capital and from non-controlling interests	-	-
Outflows to ownership interests and non-controlling interests	-394	-401
Dividend payments	-1,330	-1,295
Change from other financing activities	-138	56
III. Cash flows from financing activities	-1,862	-1,640
Cash flows for the financial year (I + II + III)	1,657	528
Effect of exchange-rate changes on cash	-67	230
Cash at the beginning of the financial year	4,041	2,912
Thereof:		
Cash without the disposal group	3,955	2,912
Cash of the disposal group	86	-
Cash at 30 June of the financial year	5,631	3,670

Selected notes to the consolidated financial statements

Recognition and measurement

This quarterly report as at 30 June 2016 has been prepared in accordance with International Financial Reporting Standards (IFRSs) as applicable in the European Union. The condensed interim consolidated financial statements are prepared in accordance with IAS 34, Interim Financial Reporting. We have complied with all new and amended IFRSs and IFRIC interpretations whose application is compulsory for Munich Re for the first time for periods beginning on 1 January 2016. For existing or unchanged IFRSs, the same principles of recognition, measurement, consolidation and disclosure have been applied as in our consolidated financial statements as at 31 December 2015, with the exception of the changes mentioned below. In accordance with the rules of IFRS 4, underwriting items are recognised and measured on the basis of US GAAP (United States Generally Accepted Accounting Principles) at first-time adoption of IFRS 4 on 1 January 2005.

As of the financial year 2016, the following new or amended IFRSs have to be applied for the first time:

In November 2013, the IASB published an amendment to **IAS 19 (rev. 11/2013), Employee Benefits**, which aims to clarify the allocation of contributions from employees or third parties that are linked to the employee's service rendered in the same period in which they are payable. This amendment will not have any material effects on Munich Re.

The amendments published in December 2013 under the project **Annual Improvements to IFRSs 2010-2012 Cycle** refer to: IFRS 2, Share-based Payment; IFRS 3, Business Combinations; IFRS 8, Operating Segments; IFRS 13, Fair Value Measurement; IAS 16, Property, Plant and Equipment; IAS 24, Related Party Disclosures; and IAS 38, Intangible Assets. The amendments mainly concern clarifications of individual provisions that have turned out to be unclear in practice; they are not relevant for Munich Re.

As mandated by the IASB, application of the above amendments to IAS 19 and the Annual Amendments to IFRSs 2010-2012 Cycle have been mandatory as from the financial year 2015. However, as they were not adopted into European law until December 2014, application of the two are not mandatory for companies domiciled in the European Union until financial years beginning on or after 1 February 2015.

The publication of the **IFRS Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38) (05/2014)**, provides guidance on issues, including that revenue-based depreciation and amortisation of real estate, other assets and intangible assets is not permissible, or is only permissible under specified circumstances. The clarifications do not have any material effects for Munich Re.

The amendments of **IFRS 11 (05/2014), Accounting for Acquisitions of Interests in Joint Operations**, clarify the accounting for acquisitions of interests in joint operations when the operation constitutes a business. The acquirer of interests is required to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs, with the exception of those principles that conflict with the guidance in IFRS 11. This amendment does not have any material effects on Munich Re.

In June 2014, the IASB published the **IFRS Agriculture: Bearer Plants, Amendments to IAS 16 and IAS 41**. The amendments bring bearer plants that are only used to grow agricultural produce within the scope of IAS 16. These are thus accounted for in the same way as property, plant and equipment. The amendments are of no relevance for Munich Re.

The amendments published in September 2014 as part of the project **Annual Improvements to IFRSs 2012–2014 Cycle**, affect IFRS 5, Non-current Assets Held for Sale and Discontinued operations; IFRS 7, Financial Instruments: Disclosures; IAS 19, Employee Benefits; and IAS 34, Interim Financial Reporting. The amendments mainly concern clarifications of individual provisions that have turned out to be unclear in practice; they are not relevant for Munich Re.

In December 2014, **Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)** was issued. The amendments clarify the consolidation exception where a parent company meets the definition of an investment company. This amendment has no material effects on Munich Re.

As part of the Disclosure Initiative, in December 2014 the IASB published **Disclosure Initiative, Amendments to IAS 1 (12/2014)**, which is designed to eradicate uncertainties in the exercise of discretion when drawing up financial statements. It makes clear which considerations need to be taken into account with respect to materiality, the line items in the financial statements, and the order of the notes. These clarifications have no effect on Munich Re.

Deferred tax assets and liabilities are now disclosed on a net basis, provided that they refer to the same taxable entity and tax office. The offsetting is made to the extent possible with respect to the underlying tax receivables and liabilities. Consolidation of intra-Group income and debt between the operating segments was adjusted accordingly.

Portions of investment income that the segment generated with other segments and that were eliminated in consolidation were no longer taken into account for the calculation of income from technical interest in the ERGO Life and Health Germany segment. The affected positions were adjusted retrospectively in line with IAS 8.41.

The adjustments had the following effects on the consolidated balance sheets for the financial years 2014 and 2015, and the consolidated income statement for 2015:

Consolidated balance sheet

	31.12.2014 as originally recognised	Changes due to adjustments in 2014	31.12.2014
€m			
Assets			
H. Deferred tax assets	7,606	-7,385	221
Equity and liabilities			
G. Deferred tax liabilities	9,776	-7,385	2,391

Consolidated balance sheet

	31.12.2015 as originally recognised	Changes due to adjustments in 2015	31.12.2015
€m			
Assets			
H. Deferred tax assets	7,859	-7,653	206
Equity and liabilities			
G. Deferred tax liabilities	9,995	-7,653	2,343

Consolidated income statement

	2015 as originally recognised	Changes due to adjustments in 2015	2015
€m			
2. Income from technical interest	6,803	-90	6,713
5. Technical result	4,014	-90	3,924
10. Deduction of income from technical interest	-6,803	90	-6,713
11. Non-technical result	806	90	896

Changes in the consolidated group

In November 2015, ERGO International AG, Düsseldorf, agreed on selling its Italian subsidiary ERGO Italia to the private equity investor Cinven. The transaction was concluded at the end of June 2016, and ERGO Italia and its subsidiaries were deconsolidated.

In the first quarter of 2016, ERGO International AG, Düsseldorf decided to sell its subsidiary ERGO Emeklilik ve Hayat A.S. The company was deconsolidated in the second quarter of 2016.

On 1 January 2016, via its subsidiary MR RENT-Investment GmbH, Munich, Munich Re acquired 100% of the voting shares in the solar park company Lynt Farm Solar Ltd, London, United Kingdom, from Solarpark Lynt GmbH, Gräfelting, Germany. The solar park has an installed peak capacity of 26.9 megawatts.

On 12 January 2016, via its subsidiary MR RENT-Investment GmbH, Munich, Munich Re acquired 100% of the voting shares in the wind park company Eolus Vindpark Tio AB, Hässleholm, Sweden, from Eolus Vindpark Nio AB, Hässleholm, Sweden. Eolus Vindpark Tio AB was renamed Wind Farms Västra Götaland AB immediately after the acquisition, and owns wind power plants with an installed capacity of 12 megawatts.

The acquisitions are part of our infrastructure investment programme (including renewable energies and new technologies).

Foreign currency translation

Munich Re's presentation currency is the euro (€). The following table shows the exchange rates of the most important currencies for our business:

Currency translation rates

Rate for €1	Balance sheet				Income statement	
	30.6.2016	31.12.2015	Q2 2016	Q1 2016	Q2 2015	Q1 2015
Australian dollar	1.49200	1.49305	1.51527	1.52774	1.42290	1.43196
Canadian dollar	1.44280	1.50895	1.45566	1.51388	1.36072	1.39583
Pound sterling	0.83105	0.73705	0.78726	0.77068	0.72197	0.74388
Rand	16.26980	16.83280	16.94500	17.43190	13.37680	13.22830
Swiss franc	1.08230	1.08740	1.09579	1.09551	1.04134	1.07446
US dollar	1.11095	1.08630	1.12926	1.10273	1.10638	1.12680
Yen	113.9720	130.6760	121.8700	127.0080	134.3250	134.2600
Yuan Renminbi	7.38070	7.05395	7.37878	7.21238	6.86395	7.02658

Segment reporting

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 direct property-casualty primary insurance business, and global travel insurance business)
- ERGO Property-casualty Germany (German property-casualty primary 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.

Munich Re uses different performance indicators and measures. The main performance metrics at Group level are economic earnings and the return on risk-adjusted capital (RORAC). Besides this, IFRS result contributions are the basis of planning and strategy in all segments. Therefore, the uniform assessment basis used for measuring the segment result is the operating result adjusted to eliminate non-operating components. The operating result is split into a technical result and a non-technical result, with an interest component allocated to the underwriting business in the form of income from technical interest. The non-technical result also separately discloses the insurance-related investment result and the result of other investments.

The segments reported under IFRS 8 are now shown after elimination of all intra-Group transactions (mainly dividend payments, sales, reinsurance transactions, receivables and corresponding interest income). Our segment reporting has no consolidation column. In the case of intra-Group sales of assets where a provision for premium refunds has to be posted, the latter always has to be shown by the selling segment. Intra-Group loans are completely eliminated in the balance sheet through consolidation. By contrast, the expenditure for the borrowers and income for the lenders is shown unconsolidated under "Other non-operating result, impairment losses of goodwill and net finance costs" for the segments concerned. All intra-Group shareholdings are consolidated, and all earnings and expenditure of the subsidiaries are shown in their segments.

Segment assets¹

€m	Reinsurance			
	30.6. 2016	31.12. 2015	Life	Property-casualty
			30.6. 2016	31.12. 2015
A. Intangible assets	146	156	2,197	2,282
B. Investments				
I. Land and buildings, including buildings on third-party land	279	281	1,667	1,699
II. Investments in affiliated companies, associates and joint ventures	6	7	678	667
Thereof:				
Associates and joint ventures accounted for using the equity method	0	0	646	635
III. Loans	110	73	482	305
IV. Other securities				
1. Available for sale	19,630	18,806	55,797	56,781
2. At fair value through profit or loss	164	59	800	340
	19,794	18,865	56,597	57,121
V. Deposits retained on assumed reinsurance	3,396	5,546	1,185	1,341
VI. Other investments	487	462	1,937	1,876
	24,072	25,233	62,545	63,010
C. Insurance-related investments	1,163	846	83	75
D. Ceded share of technical provisions	1,513	1,489	2,097	2,031
E. Assets held for sale	0	0	0	0
F. Other segment assets	6,542	5,907	10,308	8,693
Total segment assets	33,435	33,631	77,230	76,091

Segment equity and liabilities¹

€m	Reinsurance			
	30.6. 2016	31.12. 2015	Life	Property-casualty
			30.6. 2016	31.12. 2015
A. Subordinated liabilities	967	1,143	3,238	3,221
B. Gross technical provisions				
I. Unearned premiums	22	21	6,256	6,238
II. Provision for future policy benefits	10,713	12,924	26	26
III. Provision for outstanding claims	7,590	7,376	41,644	42,060
IV. Other technical provisions	228	229	48	26
	18,553	20,549	47,974	48,350
C. Gross technical provisions for unit-linked life insurance contracts	0	0	0	0
D. Other accrued liabilities	147	169	599	601
E. Liabilities related to assets held for sale	0	0	0	0
F. Other segment liabilities	7,109	6,033	8,632	7,602
Total segment liabilities	26,776	27,895	60,442	59,775

¹ Previous year's figures adjusted owing to IAS 8.

	Life and Health Germany		Property-casualty Germany		ERGO Inter- national		Munich Health		Total	
	30.6. 2016	31.12. 2015	30.6. 2016	31.12. 2015	30.6. 2016	31.12. 2015	30.6. 2016	31.12. 2015	30.6. 2016	31.12. 2015
		213	221	970	979	287	312	14	12	3,826
	2,111	2,081	154	155	92	93	20	9	4,322	4,317
	263	261	49	54	315	173	136	116	1,447	1,278
	230	226	20	22	280	137	125	105	1,302	1,125
	51,350	51,504	1,484	1,458	142	150	30	27	53,598	53,516
	50,467	46,527	4,382	4,702	12,177	11,268	3,684	3,459	146,138	141,543
	2,244	1,519	35	63	543	531	8	39	3,793	2,551
	52,711	48,046	4,417	4,765	12,720	11,799	3,692	3,498	149,931	144,094
	31	31	22	5	0	0	471	331	5,105	7,253
	1,418	1,537	229	354	239	317	92	89	4,402	4,635
	107,883	103,461	6,356	6,790	13,508	12,530	4,442	4,069	218,805	215,093
	4,654	4,753	0	0	3,393	3,488	1	1	9,293	9,163
	19	19	121	103	563	522	133	164	4,446	4,327
	54	0	0	0	0	6,947	0	0	54	6,947
	8,741	8,374	1,579	1,494	3,072	3,101	1,816	1,807	32,059	29,377
	121,564	116,828	9,026	9,365	20,822	26,900	6,406	6,052	268,482	268,868

	Life and Health Germany		Property-casualty Germany		ERGO Inter- national		Munich Health		Total		
	30.6. 2016	31.12. 2015	30.6. 2016	31.12. 2015	30.6. 2016	31.12. 2015	30.6. 2016	31.12. 2015	30.6. 2016	31.12. 2015	
		0	0	0	0	25	25	42	26	4,272	4,416
	226	198	746	495	1,489	1,446	471	444	9,210	8,841	
	86,966	85,867	446	429	8,293	8,209	1,156	1,118	107,599	108,572	
	2,779	2,792	4,122	4,080	2,195	2,233	1,432	1,215	59,762	59,756	
	18,665	16,333	96	99	714	538	176	188	19,928	17,413	
	108,636	105,190	5,409	5,102	12,692	12,426	3,235	2,965	196,499	194,582	
	5,054	5,157	0	0	2,945	3,044	1	1	8,000	8,201	
	2,105	1,727	1,027	682	882	811	96	153	4,856	4,145	
	0	0	0	0	0	6,301	0	0	0	6,301	
	4,362	3,728	315	285	1,351	1,447	1,074	1,162	22,842	20,257	
	120,157	115,802	6,751	6,070	17,896	24,054	4,447	4,307	236,470	237,902	
									Equity	32,012	30,966
									Total equity and liabilities	268,482	268,868

Segment income statement 1.1.-30.6.2016

€m	Reinsurance			
	Q1-2 2016	Q1-2 2015	Life	Property-casualty
			Q1-2 2016	Q1-2 2015
Gross premiums written	4,576	5,116	9,117	9,002
1. Net earned premiums	4,442	5,009	8,535	8,455
2. Income from technical interest	274	370	561	689
3. Net expenses for claims and benefits	-3,570	-4,053	-5,351	-5,221
4. Net operating expenses	-974	-1,194	-2,700	-2,626
5. Technical result (1-4)	172	133	1,044	1,298
6. Investment result	305	524	855	1,330
7. Insurance-related investment result	1	-44	37	25
8. Other operating result	14	29	-72	-43
9. Deduction of income from technical interest	-274	-370	-561	-689
10. Non-technical result (6-9)	47	139	260	623
11. Operating result (5+10)	219	272	1,305	1,921
12. Other non-operating result, net finance costs and impairment losses of goodwill	56	-94	201	-280
13. Taxes on income	-41	-55	-302	-254
14. Consolidated result (11-13)	234	123	1,203	1,387

Segment income statement 1.4.-30.6.2016

€m	Reinsurance			
	Q2 2016	Q2 2015	Life	Property-casualty
			Q2 2016	Q2 2015
Gross premiums written	2,371	2,704	4,589	4,404
1. Net earned premiums	2,303	2,634	4,425	4,309
2. Income from technical interest	137	179	280	350
3. Net expenses for claims and benefits	-1,873	-2,186	-3,032	-2,687
4. Net operating expenses	-463	-596	-1,384	-1,332
5. Technical result (1-4)	103	31	289	639
6. Investment result	240	321	754	964
7. Insurance-related investment result	6	-1	53	-3
8. Other operating result	9	19	-29	-5
9. Deduction of income from technical interest	-137	-179	-280	-350
10. Non-technical result (6-9)	119	159	498	607
11. Operating result (5+10)	222	190	788	1,246
12. Other non-operating result, net finance costs and impairment losses of goodwill	63	-94	242	-314
13. Taxes on income	-71	-43	-251	-143
14. Consolidated result (11-13)	214	53	778	789

	Life and Health Germany		Property-casualty Germany		ERGO International		Munich Health		Total	
	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015
		4,520	4,727	1,865	1,831	1,901	1,961	2,459	2,867	24,438
	4,478	4,677	1,578	1,497	1,708	1,797	2,409	2,776	23,150	24,211
	2,282	2,206	37	43	155	183	13	19	3,321	3,511
	-5,826	-5,945	-973	-953	-1,259	-1,359	-2,060	-2,367	-19,039	-19,897
	-731	-726	-558	-493	-614	-576	-382	-430	-5,958	-6,045
	202	211	84	95	-9	45	-20	-2	1,474	1,780
	2,803	1,979	8	200	293	240	58	67	4,322	4,341
	-168	276	0	0	-48	-4	0	0	-177	253
	-31	-29	-17	2	-6	-8	2	-2	-109	-50
	-2,282	-2,206	-37	-43	-155	-183	-13	-19	-3,321	-3,511
	322	20	-46	159	84	45	47	46	714	1,033
	524	231	38	254	75	90	28	44	2,188	2,813
	-309	-99	-165	-31	-104	-42	2	-1	-319	-546
	-146	-27	35	-37	-6	-23	2	-5	-459	-401
	69	105	-92	186	-35	25	32	39	1,411	1,866

	Life and Health Germany		Property-casualty Germany		ERGO International		Munich Health		Total	
	Q2 2016	Q2 2015	Q2 2016	Q2 2015	Q2 2016	Q2 2015	Q2 2016	Q2 2015	Q2 2016	Q2 2015
		2,188	2,315	646	638	958	981	1,176	1,424	11,928
	2,196	2,319	817	763	871	906	1,196	1,421	11,808	12,351
	1,277	759	19	22	92	-76	5	9	1,810	1,244
	-2,974	-2,607	-481	-475	-683	-529	-1,027	-1,216	-10,070	-9,701
	-379	-350	-285	-243	-315	-296	-191	-209	-3,018	-3,026
	119	122	69	67	-35	4	-16	5	529	869
	1,538	912	23	141	166	154	29	28	2,750	2,521
	-19	-148	0	0	-10	-174	0	0	31	-326
	-15	-14	-2	5	-1	-6	0	-1	-37	-1
	-1,277	-759	-19	-22	-92	76	-5	-9	-1,810	-1,244
	227	-9	2	124	63	50	24	18	933	949
	346	114	72	191	28	54	8	23	1,463	1,818
	-276	-54	-169	-10	-50	-19	4	-1	-186	-492
	-15	-6	30	-32	1	-22	4	-4	-302	-251
	55	53	-68	149	-21	14	16	18	974	1,075

Non-current assets by country¹

€m	30.6.2016	31.12.2015
Germany	6,909	6,921
USA	2,669	2,743
UK	512	531
Sweden	270	266
Austria	204	215
France	199	175
Poland	193	201
Italy	185	190
Netherlands	160	165
Switzerland	100	100
Spain	97	102
Portugal	59	58
Others	259	242
Total	11,817	11,910

1 The non-current assets mainly comprise intangible assets (especially goodwill) and our owner-occupied and investment property, as well as investments in renewable energies.

Investments in non-current assets per segment¹

€m	Q1-2 2016	Q1-2 2015
Reinsurance life	38	31
Reinsurance property-casualty	146	103
ERGO Life and Health Germany	99	83
ERGO Property-casualty Germany	20	27
ERGO International	17	53
Munich Health	7	9
Total	327	306

1 The non-current assets mainly comprise intangible assets (especially goodwill) and our owner-occupied and investment property, as well as investments in renewable energies.

Gross premiums written

€m	Reinsurance		ERGO		Munich Health		Total	
	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015
Europe	4,184	4,107	8,253	8,490	887	900	13,325	13,497
North America	6,348	6,892	10	8	1,102	1,555	7,459	8,455
Asia and Australasia	2,233	2,260	23	21	157	130	2,413	2,411
Africa, Middle East	355	387	0	0	309	279	665	666
Latin America	572	472	1	1	4	3	577	476
Total	13,693	14,118	8,287	8,520	2,459	2,867	24,438	25,505

Gross premiums written

€m	Reinsurance		ERGO		Munich Health		Total	
	Q2 2016	Q2 2015	Q2 2016	Q2 2015	Q2 2016	Q2 2015	Q2 2016	Q2 2015
Europe	2,136	1,956	3,775	3,919	392	394	6,303	6,269
North America	3,214	3,553	5	6	577	795	3,796	4,354
Asia and Australasia	1,175	1,193	11	10	66	106	1,252	1,309
Africa, Middle East	177	187	0	0	140	128	318	315
Latin America	258	219	1	1	2	1	260	220
Total	6,960	7,108	3,792	3,935	1,176	1,424	11,928	12,467

Notes to the consolidated balance sheet

The main items of the consolidated balance sheet are made up as follows:

Intangible assets

Development of goodwill

Goodwill from the acquisition of €m	Reinsurance				Primary insurance	
	Munich Re America		Other		ERGO Insurance Group	
	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015
Gross carrying amount at 31 Dec. previous year	1,270	1,140	540	493	1,755	1,754
Accumulated impairment losses at 31 Dec. previous year	0	0	-51	-51	-869	-440
Carrying amount at 31 Dec. previous year	1,270	1,140	489	442	886	1,314
Currency translation differences	-28	98	-14	37	0	0
Additions	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Impairment losses	0	0	0	0	0	0
Carrying amount at 30 June financial year	1,242	1,238	475	479	886	1,314
Accumulated impairment losses at 30 June financial year	0	0	-51	-51	-869	-440
Gross carrying amount at 30 June financial year	1,242	1,238	526	530	1,755	1,754

→ Goodwill from the acquisition of €m	Primary insurance		Munich Health		Total	
	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015
Gross carrying amount at 31 Dec. previous year	583	581	156	156	4,303	4,124
Accumulated impairment losses at 31 Dec. previous year	-437	-414	-156	-156	-1,513	-1,061
Carrying amount at 31 Dec. previous year	146	167	0	0	2,790	3,063
Currency translation differences	-2	4	0	0	-44	139
Additions	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Impairment losses	-9	0	0	0	-9	0
Carrying amount at 30 June financial year	135	171	0	0	2,737	3,202
Accumulated impairment losses at 30 June financial year	-446	-414	-156	-156	-1,522	-1,061
Gross carrying amount at 30 June financial year	581	585	156	156	4,259	4,263

Breakdown of other intangible assets

€m	30.6.2016	31.12.2015
Acquired insurance portfolios	278	294
Software		
Self-developed	52	62
Other	281	295
Acquired brand names	36	38
Acquired distribution networks/client bases	176	192
Acquired licences/patents	236	258
Other		
Self-developed	0	0
Other	29	33
Total	1,089	1,171

Investments

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. All financial instruments recognised at fair value are allocated to one of the valuation hierarchy levels of IFRS 13. This fair value hierarchy provides for three levels. The allocation reflects which of the fair values derive from transactions in the market and where valuation is based on models because market transactions are lacking.

Regularly, at each reporting date, we assess whether the allocation of our investments and liabilities to the levels of the valuation hierarchy is still appropriate. If changes in the basis of valuation have occurred – for instance, if a market is no longer active or the valuation was performed using inputs requiring another allocation – we make the necessary adjustments.

The following table provides an overview of the methods used to measure the fair values of our investments.

Valuation models

Bonds	Pricing method	Parameters	Pricing model
Interest-rate risks			
Loans against borrower's note/ registered bonds	Theoretical price	Sector-, rating- or issuer-specific yield curve	Present value method
Cat bond (host)	Theoretical price	Interest-rate curve	Present value method
Mortgage loans	Theoretical price	Sector-specific yield curve	Present value method
Derivatives			
Equity and index risks			
OTC stock options	Theoretical price	Listing of underlying shares Effective volatilities Money-market interest rate Dividend yield	Black-Scholes (European) Cox, Ross and Rubinstein (American) Monte Carlo simulation
Equity forwards	Theoretical price	Listing of underlying shares Money-market interest rate Dividend yield	Present value method
Interest-rate risks			
Interest-rate swaps	Theoretical price	Swap curve Money-market interest-rate curve	Present value method
Swaptions/interest-rate guarantee	Theoretical price	At-the-money volatility matrix and skew swap curve Money-market interest-rate curve	Bachelier model
Interest-rate currency swaps	Theoretical price	Swap curve Money-market interest-rate curve	Present value method
Inflation swaps	Theoretical price	Currency spot rates Zero-coupon inflation swap rates Swap curve Money-market interest-rate curve	Present value method
Currency risks			
Currency options	Theoretical price	At-the-money volatility Currency spot rates Money-market interest-rate curve	Garman-Kohlhagen (European)
Currency forwards	Theoretical price	Currency spot rates Money-market interest-rate curve	Present value method
Other transactions			
Insurance derivatives (excluding variable annuities)	Theoretical price	Market values of cat bonds Historical event data Interest-rate curve	Present value method
Insurance derivatives (variable annuities)	Theoretical price	Biometric and lapse rates Volatilities Interest-rate curve Currency spot rates	Present value method
Credit default swaps	Theoretical price	Credit spreads Recovery rates Interest-rate curve	Present value method ISDA CDS Standard Model
Total return swaps on commodities	Theoretical price	Listing of underlying index	Index ratio calculation
Commodity options	Theoretical price	Listing of underlying shares Effective volatilities Money-market interest rate	Black-Scholes (European) Cox, Ross and Rubinstein (American)

Bonds with embedded derivatives	Pricing method	Parameters	Pricing model
Callable bonds	Theoretical price	Money-market/swap interest-rate curve Issuer-specific spreads Volatility matrix	Hull-White model
CMS floaters	Theoretical price	Money-market/swap interest-rate curve Issuer-specific spreads Volatility matrix	Hull-White model
Zero-to-coupon switchable bonds	Theoretical price	Money-market/swap interest-rate curve Issuer-specific spreads Volatility matrix	Hull-White model
Zero-to-CMS switchable bonds	Theoretical price	Money-market/swap interest-rate curve Issuer-specific spreads Volatility matrix	LIBOR market model
Volatility bonds	Theoretical price	Money-market/swap interest-rate curve Issuer-specific spreads Volatility matrix	LIBOR market model
CMS floaters with variable cap	Theoretical price	Money-market/swap interest-rate curve Issuer-specific spreads Volatility matrix	Replication model (Hagan)
Inverse CMS floaters	Theoretical price	Money-market/swap interest-rate curve Issuer-specific spreads Volatility matrix	Replication model (Hagan)
CMS steepeners	Theoretical price	Money-market/swap interest-rate curve Issuer-specific spreads Volatility matrix Correlation matrix	Replication model (Hagan)
Dax-Cliquet	Theoretical price	Listing of underlying shares Volatilities Issuer-specific spreads Money-market/swap interest-rate curve	Black-Scholes (European) Present value method
Convergence bonds	Theoretical price	Money-market/swap interest-rate curves Issuer-specific spreads Volatility matrix Correlation matrix	LIBOR market model
Multi-tranches	Theoretical price	At-the-money volatility matrix and skew swap curve Money-market interest-rate curve Sector-, rating- or issuer-specific yield curve	Bachelier model Present value method
FIS loans against borrower's note	Theoretical price	At-the-money volatility matrix and skew swap curve Money-market interest-rate curve Sector-, rating- or issuer-specific yield curve	Bachelier model Present value method
Swaption notes	Theoretical price	At-the-money volatility matrix and skew swap curve Money-market interest-rate curve Sector-, rating- or issuer-specific yield curve	Bachelier model Present value method
Fund	Pricing method	Parameters	Pricing model
Real estate funds	-	-	Net asset value
Alternative investment funds (e.g. private equity, RENT, infrastructure, forestry)	-	-	Net asset value

Other	Pricing method	Parameters	Pricing model
Real estate	Theoretical market value	Interest-rate curve Market rents	Present value method or valuation
Alternative direct investments (e.g. RENT, infrastructure, forestry)	Theoretical market value	Interest-rate curve (among others) Electricity price forecast and inflation forecast	Present value method or valuation

Insurance-linked derivatives (excluding variable annuities) are allocated to Level 3 of the fair value hierarchy. The valuation of the derivative components of catastrophe bonds is based on the values supplied by brokers for the underlying bonds, which is why it is not possible to quantify the inputs used that were not based on observable market data. If no observable inputs are available for customised insurance-linked derivatives, valuation is made using the present-value method on the basis of current interest-rate curves and historical event data. Due to the low volume, the effects of alternative inputs and assumptions are immaterial.

At Munich Re, the valuation of variable annuities is performed on a fully market-consistent basis. The inputs requiring consideration in this valuation are derived in part directly from market data, in particular volatilities, interest-rate curves and currency spot rates, or from actuarial data, especially biometric and lapse rates. The lapse rates used are modelled dynamically and range between 0.5% and 20%, depending on the specific insurance product and current situation of the capital markets. A 10% increase or decrease in the lapse rates would lead to a change of $-/+1\%$ in the fair value of the portfolio. The assumptions with regard to mortality are based on published mortality tables, which are adjusted with a view to the target markets and the actuaries' expectations. The impact of these and other non-observable assumptions is not material. The dependency between different capital market parameters is modelled by correlation matrices. Since inputs not observable on the market were also used in valuation, we allocate these products to Level 3 of the fair value hierarchy.

The other investments allocated to Level 3 are mainly external fund units (in particular, private equity, real estate and funds that invest in a variety of assets that are subject to theoretical valuation) as well as relatively illiquid credit structures (especially collateralised mortgage-backed securities and credit-linked obligations). In the case of the former, market data are not available on a regular basis; instead, net asset values (NAVs) are provided by the asset managers. With regard to the latter, the quality of the market quotes available from market data providers is insufficient, so we resort to broker valuations. With these investments, we thus do not perform our own valuations using inputs that are not based on observable market data, but rely on what is supplied by the brokers. We regularly subject the valuations supplied to plausibility tests on the basis of comparable investments.

At 30 June 2016, around 9% of the investments measured at fair value were allocated to Level 1 of the fair value hierarchy, 88% to Level 2 and 3% to Level 3.

Allocation of investments measured at fair value to levels of the fair value hierarchy

				30.6.2016
€m	Level 1	Level 2	Level 3	Total
Investments in affiliated companies measured at fair value	0	0	139	139
Investments in associates and joint ventures measured at fair value	0	0	6	6
Other securities available for sale				
Fixed-interest	458	130,750	2,269	133,477
Non-fixed-interest	8,703	1,181	2,776	12,661
Other securities at fair value through profit or loss				
Held for trading, and hedging derivatives ¹	456	3,102	0	3,558
Designated as at fair value through profit or loss	173	176	1	349
Other investments	0	10	30	40
Insurance-related investments	4,617	4,492	184	9,293
Total	14,407	139,711	5,404	159,521

				31.12.2015
€m	Level 1	Level 2	Level 3	Total
Investments in affiliated companies measured at fair value	0	0	145	145
Investments in associates and joint ventures measured at fair value	0	0	8	8
Other securities available for sale				
Fixed-interest	1,167	124,334	2,160	127,661
Non-fixed-interest	10,025	1,054	2,803	13,882
Other securities at fair value through profit or loss				
Held for trading, and hedging derivatives ¹	244	2,090	0	2,335
Designated as at fair value through profit or loss	188	169	0	357
Other investments	0	10	30	40
Insurance-related investments	4,488	3,623	1,052	9,163
Total	16,112	131,281	6,198	153,591

¹ Included are hedging derivatives of €113m (141m) accounted for under "other assets".

As part of the review process in the second quarter, we examined the level allocation of our investments and analysed investments under unit-linked life insurance particularly closely. In doing so, we refined the allocation of the different investment alternatives to the levels of the fair value hierarchy. As a result of the more sophisticated analysis performed, there have been shifts in level allocation which are presented here. These have also significantly improved the quality of allocation.

The following table presents the reconciliation from the opening balances to the closing balances for investments allocated to Level 3.

Reconciliation for investments allocated to Level 3

€m	Investments in affiliated companies measured at fair value		Investments in associates and joint ventures measured at fair value	
	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015
Carrying amount at 31 Dec. previous year	145	273	8	5
Gains and losses	-2	9	0	0
Gains (losses) recognised in the income statement	0	0	2	0
Gains (losses) recognised in equity	-2	9	-2	0
Acquisitions	2	14	0	2
Disposals	-8	-14	-2	-1
Transfer to Level 3	1	10	0	0
Transfer out of Level 3	0	0	0	0
Changes in the market value of derivatives	0	0	0	0
Carrying amount at 30 June financial year	139	292	6	6
Gains (losses) recognised in the income statement that are attributable to investments shown at 30 June financial year	0	-1	0	0



€m	Fixed-interest		Other securities available for sale Non-fixed-interest	
	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015
Carrying amount at 31 Dec. previous year	2,160	2,547	2,803	2,395
Gains and losses	-11	85	-58	136
Gains (losses) recognised in the income statement	5	2	-17	-7
Gains (losses) recognised in equity	-16	83	-41	143
Acquisitions	343	491	204	269
Disposals	-272	-687	-188	-83
Transfer to Level 3	61	0	15	2
Transfer out of Level 3	-11	-2	0	-37
Changes in the market value of derivatives	0	0	0	0
Carrying amount at 30 June financial year	2,269	2,434	2,776	2,682
Gains (losses) recognised in the income statement that are attributable to investments shown at 30 June financial year	5	2	-17	-8

Continued on next page

→	Held for trading, and hedging derivatives		Other investments	
	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015
€m				
Carrying amount at 31 Dec. previous year	0	0	30	0
Gains and losses	0	0	0	0
Gains (losses) recognised in the income statement	0	0	0	0
Gains (losses) recognised in equity	0	0	0	0
Acquisitions	0	0	0	0
Disposals	0	0	0	0
Transfer to Level 3	1	0	0	0
Transfer out of Level 3	0	0	0	0
Change in the market value of derivatives	0	0	0	0
Carrying amount at 30 June financial year	1	0	30	0
Gains (losses) recognised in the income statement that are attributable to investments shown at 30 June financial year	0	0	0	0

→	Insurance-related investments		Total	
	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015
€m				
Carrying amount at 31 Dec. previous year	1,052	109	6,198	5,329
Gains and losses	4	39	-66	269
Gains (losses) recognised in the income statement	4	26	-4	21
Gains (losses) recognised in equity	-1	13	-62	248
Acquisitions	0	7	549	783
Disposals	2	-26	-468	-811
Transfer to Level 3	0	0	77	12
Transfer out of Level 3	-874	0	-885	-39
Change in the market value of derivatives	0	0	0	0
Carrying amount at 30 June financial year	184	129	5,404	5,543
Gains (losses) recognised in the income statement that are attributable to investments shown at 30 June financial year	16	27	4	20

Further explanatory information on investments can be found in the "Investment performance" section of the interim management report.

Equity

Number of shares in circulation and number of own shares held

	30.6.2016	31.12.2015
Number of shares in circulation	160,451,927	162,782,591
Number of own shares held	601,970	4,061,370
Total	161,053,897	166,843,961

Non-controlling interests

€m	30.6.2016	31.12.2015
Unrealised gains and losses	16	19
Consolidated result	6	15
Other equity	261	264
Total	283	298

These are mainly non-controlling interests in individual companies of the primary insurance group and a real estate company in Stockholm.

Subordinated liabilities

Breakdown of subordinated liabilities

€m	Identification number	A.M. Best	Fitch	Moody's	S&P	30.6.2016	31.12.2015
Munich Reinsurance Company, Munich, 6.25% until 2022, thereafter floating, €900m, Bonds 2012/2042	WKN: A1ML16 ISIN: XS0764278528 Reuters: DE076427852= Bloomberg: MUNRE	a	A	-	A	895	895
Munich Reinsurance Company, Munich, 6.625% until 2022, thereafter floating, €450m, Bonds 2012/2042	WKN: A1ML15 ISIN: XS0764278288 Reuters: DE076427828= Bloomberg: MUNRE	a+	A	-	A	540	609
Munich Reinsurance Company, Munich, 6.00% until 2021, thereafter floating, €1,000m, Bonds 2011/2041	WKN: A1KQYJ ISIN: XS0608392550 Reuters: DE060839255= Bloomberg: MUNRE	a	A	-	A	993	992
Munich Reinsurance Company, Munich, 5.767% until 2017, thereafter floating, €1,349m, Bonds 2007/perpetual	WKN: A0N4EX ISIN: XS0304987042 Reuters: DE030498704= Bloomberg: MUNRE	a	A	A3 (hyb)	A	1,414	1,445
Munich Reinsurance Company, Munich, 7.625% until 2018, thereafter floating, €300m, Bonds 2003/2028	WKN: 843449 ISIN: XS0167260529 Reuters: DE016726052= Bloomberg: MUNRE	a+	A+	A2 (hyb)	A	360	406
ERGO Versicherung Aktiengesellschaft, Vienna, secondary market yield on federal government bonds (Austria) +70 BP, €12m ¹ , Registered bonds 2001/perpetual		-	-	-	-	12	12
ERGO Versicherung Aktiengesellschaft, Vienna, secondary market yield on federal government bonds (Austria) +70 BP, €13m ² , Registered bonds 1998/perpetual		-	-	-	-	13	13
HSB Group Inc., Delaware, LIBOR +91 BP, US\$ 76m, Bonds 1997/2027		-	-	-	-	44	44
Total						4,272	4,416

1 ERGO International AG holds bonds with a nominal value of €3m; the volume outstanding has been reduced accordingly.

2 ERGO Versicherungsgruppe AG holds bonds with a nominal value of €3m; the volume outstanding has been reduced accordingly.

The fair value of the subordinated liabilities at the balance sheet date amounted to €4,728m (4,921m). For Munich Reinsurance Company bonds, we take the stock market prices as fair values. For the other subordinated liabilities, we determine the fair values using net present value methods with observable market parameters.

Liabilities

Breakdown of bonds and notes issued

€m	Identification number	A.M. Best	Fitch	Moody's	S&P	30.6.2016	31.12.2015
Munich Re America Corporation, Wilmington, 7.45%, US\$ 342m, Senior Notes 1996/2026	CUSIP No.: 029163AD4 ISIN, Reuters: - Bloomberg: AMER RE CORP MUNRE	a-	A+	A2	A-	307	314
Total						307	314

We use the prices provided by price quoters to determine the fair value of the notes issued. The fair value at the reporting date amounts to €394m (402m).

The following table shows the allocation of the other liabilities measured at fair value to levels of the fair value hierarchy.

Allocation of other liabilities measured at fair value to levels of the fair value hierarchy

€m				30.6.2016				31.12.2015
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Other liabilities								
Derivatives	156	1,728	542	2,426	127	1,275	413	1,814

In the other liabilities, only derivatives with a negative market value are currently recognised at fair value. Of these, we allocate the derivative portions of catastrophe bonds, weather derivatives, and derivative components of variable annuities to Level 3 of the fair value hierarchy. As regards the valuation models used, please refer to the notes on investments.

The following table presents the reconciliation from the opening balances to the closing balances for other liabilities allocated to Level 3.

Reconciliation for liabilities allocated to Level 3

€m	Other liabilities at fair value through profit or loss	
	Q1-2 2016	Q1-2 2015
Carrying amount at 31 Dec. previous year	413	276
Gains and losses	-116	-21
Gains (losses) recognised in the income statement	-117	12
Gains (losses) recognised in equity	1	-33
Acquisitions	68	56
Disposals	-62	-89
Transfer to Level 3	8	0
Transfer out of Level 3	0	0
Change in the market value of derivatives	0	0
Carrying amount at 30 June financial year	542	264
Gains (losses) recognised in the income statement that are attributable to liabilities shown at 30 June financial year	-132	6

Notes to the consolidated income statement

The main items of the consolidated income statement are made up as follows:

Premiums

€m	Reinsurance			
	Life		Property-casualty	
	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015
Gross premiums written	4,576	5,116	9,117	9,002
Change in unearned premiums - Gross	-2	-1	-179	-150
Gross earned premiums	4,574	5,115	8,938	8,851
Ceded premiums written	-133	-106	-479	-497
Change in unearned premiums - Ceded share	0	0	76	101
Earned premiums ceded	-132	-105	-403	-397
Net earned premiums	4,442	5,009	8,535	8,455

€m	ERGO					
	Life and Health Germany		Property-casualty Germany		International	
	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015
Gross premiums written	4,520	4,727	1,865	1,831	1,901	1,961
Change in unearned premiums - Gross	-32	-41	-259	-310	-77	-39
Gross earned premiums	4,489	4,686	1,606	1,522	1,824	1,922
Ceded premiums written	-11	-9	-28	-26	-137	-132
Change in unearned premiums - Ceded share	0	0	-1	1	21	7
Earned premiums ceded	-11	-10	-28	-25	-116	-125
Net earned premiums	4,478	4,677	1,578	1,497	1,708	1,797

€m	Munich Health			
	Munich Health		Total	
	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015
Gross premiums written	2,459	2,867	24,438	25,505
Change in unearned premiums - Gross	-40	-24	-589	-565
Gross earned premiums	2,418	2,844	23,850	24,940
Ceded premiums written	-10	-43	-798	-813
Change in unearned premiums - Ceded share	1	-25	98	84
Earned premiums ceded	-9	-68	-700	-729
Net earned premiums	2,409	2,776	23,150	24,211

Premiums

€m	Reinsurance			
	Q2 2016	Life		Property-casualty
		Q2 2015	Q2 2016	Q2 2015
Gross premiums written	2,371	2,704	4,589	4,404
Change in unearned premiums - Gross	2	2	41	122
Gross earned premiums	2,372	2,706	4,631	4,526
Ceded premiums written	-69	-71	-195	-217
Change in unearned premiums - Ceded share	0	0	-11	-1
Earned premiums ceded	-70	-72	-206	-217
Net earned premiums	2,303	2,634	4,425	4,309



€m	ERGO					
	Life and Health Germany		Property-casualty Germany		International	
	Q2 2016	Q2 2015	Q2 2016	Q2 2015	Q2 2016	Q2 2015
Gross premiums written	2,188	2,315	646	638	958	981
Change in unearned premiums - Gross	13	9	172	132	-30	-9
Gross earned premiums	2,200	2,324	818	770	928	973
Ceded premiums written	-5	-4	-7	-7	-57	-60
Change in unearned premiums - Ceded share	0	0	6	0	0	-7
Earned premiums ceded	-5	-5	-1	-7	-57	-67
Net earned premiums	2,196	2,319	817	763	871	906



€m	Munich Health		Total	
	Q2 2016	Q2 2015	Q2 2016	Q2 2015
Gross premiums written	1,176	1,424	11,928	12,467
Change in unearned premiums - Gross	40	35	237	290
Gross earned premiums	1,215	1,459	12,165	12,758
Ceded premiums written	-18	-23	-351	-383
Change in unearned premiums - Ceded share	-1	-15	-6	-23
Earned premiums ceded	-19	-38	-357	-406
Net earned premiums	1,196	1,421	11,808	12,351

Income from technical interest

€m	Reinsurance			
	Life		Property-casualty	
	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015
Income from technical interest	274	370	561	689

€m	ERGO					
	Life and Health Germany		Property-casualty Germany		International	
	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015
Income from technical interest	2,282	2,206	37	43	155	183

€m	Munich Health			Total
	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015
	Income from technical interest	13	19	3,321

Income from technical interest

€m	Reinsurance			
	Life		Property-casualty	
	Q2 2016	Q2 2015	Q2 2016	Q2 2015
Income from technical interest	137	179	280	350

€m	ERGO					
	Life and Health Germany		Property-casualty Germany		International	
	Q2 2016	Q2 2015	Q2 2016	Q2 2015	Q2 2016	Q2 2015
Income from technical interest	1,277	759	19	22	92	-76

€m	Munich Health			Total
	Q2 2016	Q2 2015	Q2 2016	Q2 2015
	Income from technical interest	5	9	1,810

Expenses for claims and benefits

€m	Reinsurance			
	Q1-2 2016	Life		Property-casualty
		Q1-2 2015	Q1-2 2016	Q1-2 2015
Gross				
Claims and benefits paid	-3,338	-3,906	-5,179	-5,409
Changes in technical provisions				
Provision for future policy benefits	-85	71	0	0
Provision for outstanding claims	-228	-295	-320	-59
Provision for premium refunds	0	0	-1	-3
Other technical result	3	0	-3	0
Gross expenses for claims and benefits	-3,648	-4,130	-5,502	-5,470
Ceded share				
Claims and benefits paid	65	98	142	264
Changes in technical provisions				
Provision for future policy benefits	30	-7	0	0
Provision for outstanding claims	-9	-7	9	-15
Provision for premium refunds	0	0	0	0
Other technical result	-7	-6	0	0
Expenses for claims and benefits - Ceded share	79	78	151	250
Net				
Claims and benefits paid	-3,273	-3,808	-5,036	-5,145
Changes in technical provisions				
Provision for future policy benefits	-55	64	0	0
Provision for outstanding claims	-237	-302	-311	-74
Provision for premium refunds	0	0	-1	-3
Other technical result	-4	-7	-3	1
Net expenses for claims and benefits	-3,570	-4,053	-5,351	-5,221

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→	ERGO					
	Life and Health Germany		Property-casualty Germany		International	
€m	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015
Gross						
Claims and benefits paid	-4,584	-4,614	-936	-901	-1,418	-1,288
Changes in technical provisions						
Provision for future policy benefits	-9	-471	0	-2	101	-139
Provision for outstanding claims	11	-45	-53	-43	65	-66
Provision for premium refunds	-1,174	-756	-8	-9	-26	55
Other technical result	-73	-66	-5	-3	0	8
Gross expenses for claims and benefits	-5,829	-5,951	-1,003	-958	-1,278	-1,429
Ceded share						
Claims and benefits paid	3	4	10	9	134	126
Changes in technical provisions						
Provision for future policy benefits	0	0	0	0	-17	-50
Provision for outstanding claims	0	3	24	-5	-65	24
Provision for premium refunds	0	0	0	1	0	0
Other technical result	0	0	-4	0	-33	-30
Expenses for claims and benefits - Ceded share	3	6	29	5	19	70
Net						
Claims and benefits paid	-4,581	-4,610	-926	-892	-1,285	-1,162
Changes in technical provisions						
Provision for future policy benefits	-9	-470	0	-2	85	-189
Provision for outstanding claims	11	-42	-30	-48	0	-41
Provision for premium refunds	-1,174	-756	-8	-8	-26	56
Other technical result	-73	-66	-10	-3	-33	-23
Net expenses for claims and benefits	-5,826	-5,945	-973	-953	-1,259	-1,359

→	Munich Health		Total	
€m	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015
Gross				
Claims and benefits paid	-1,777	-2,237	-17,232	-18,354
Changes in technical provisions				
Provision for future policy benefits	-38	-54	-30	-594
Provision for outstanding claims	-244	-89	-769	-598
Provision for premium refunds	0	0	-1,210	-712
Other technical result	-1	-1	-79	-62
Gross expenses for claims and benefits	-2,060	-2,381	-19,320	-20,320
Ceded share				
Claims and benefits paid	23	38	377	539
Changes in technical provisions				
Provision for future policy benefits	4	2	17	-55
Provision for outstanding claims	-27	-26	-69	-26
Provision for premium refunds	0	0	0	1
Other technical result	0	0	-44	-37
Expenses for claims and benefits - Ceded share	0	14	281	423
Net				
Claims and benefits paid	-1,754	-2,199	-16,855	-17,815
Changes in technical provisions				
Provision for future policy benefits	-34	-52	-13	-648
Provision for outstanding claims	-271	-115	-838	-623
Provision for premium refunds	0	0	-1,210	-711
Other technical result	-1	-1	-123	-99
Net expenses for claims and benefits	-2,060	-2,367	-19,039	-19,897

Expenses for claims and benefits

€m	Reinsurance			
	Q2 2016	Life	Property-casualty	
		Q2 2015	Q2 2016	Q2 2015
Gross				
Claims and benefits paid	-1,774	-2,077	-3,220	-3,115
Changes in technical provisions				
Provision for future policy benefits	-99	-40	0	0
Provision for outstanding claims	-44	-108	171	312
Provision for premium refunds	0	0	0	-1
Other technical result	1	-1	-2	1
Gross expenses for claims and benefits	-1,916	-2,226	-3,051	-2,803
Ceded share				
Claims and benefits paid	19	48	62	135
Changes in technical provisions				
Provision for future policy benefits	33	1	0	0
Provision for outstanding claims	-6	-6	-42	-19
Provision for premium refunds	0	0	0	0
Other technical result	-3	-4	0	0
Expenses for claims and benefits - Ceded share	43	40	20	116
Net				
Claims and benefits paid	-1,755	-2,029	-3,158	-2,980
Changes in technical provisions				
Provision for future policy benefits	-66	-39	0	0
Provision for outstanding claims	-50	-114	129	293
Provision for premium refunds	0	0	0	-1
Other technical result	-2	-5	-2	1
Net expenses for claims and benefits	-1,873	-2,186	-3,032	-2,687

→	ERGO					
	Life and Health Germany		Property-casualty Germany		International	
€m	Q2 2016	Q2 2015	Q2 2016	Q2 2015	Q2 2016	Q2 2015
Gross						
Claims and benefits paid	-2,204	-2,258	-453	-438	-707	-629
Changes in technical provisions						
Provision for future policy benefits	19	134	0	1	44	140
Provision for outstanding claims	-80	-108	-32	-39	-11	-75
Provision for premium refunds	-658	-352	-3	-5	-13	-17
Other technical result	-53	-27	-1	0	-1	6
Gross expenses for claims and benefits	-2,976	-2,611	-489	-482	-689	-575
Ceded share						
Claims and benefits paid	1	2	4	8	67	50
Changes in technical provisions						
Provision for future policy benefits	0	0	0	0	-20	-25
Provision for outstanding claims	0	2	3	-1	-36	35
Provision for premium refunds	0	0	0	0	0	0
Other technical result	0	0	0	0	-6	-15
Expenses for claims and benefits - Ceded share	1	5	8	6	5	45
Net						
Claims and benefits paid	-2,203	-2,255	-449	-431	-640	-578
Changes in technical provisions						
Provision for future policy benefits	19	134	0	1	24	115
Provision for outstanding claims	-80	-106	-28	-40	-47	-40
Provision for premium refunds	-658	-352	-3	-5	-13	-16
Other technical result	-53	-27	-1	0	-7	-9
Net expenses for claims and benefits	-2,974	-2,607	-481	-475	-683	-529

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→	Munich Health		Total	
	Q2 2016	Q2 2015	Q2 2016	Q2 2015
€m				
Gross				
Claims and benefits paid	-1,028	-1,154	-9,387	-9,671
Changes in technical provisions				
Provision for future policy benefits	-19	-26	-54	209
Provision for outstanding claims	15	-64	19	-83
Provision for premium refunds	0	0	-674	-375
Other technical result	-1	1	-57	-20
Gross expenses for claims and benefits	-1,034	-1,243	-10,154	-9,940
Ceded share				
Claims and benefits paid	15	19	169	263
Changes in technical provisions				
Provision for future policy benefits	2	2	15	-22
Provision for outstanding claims	-10	6	-90	18
Provision for premium refunds	0	0	0	0
Other technical result	0	0	-9	-20
Expenses for claims and benefits - Ceded share	7	27	84	239
Net				
Claims and benefits paid	-1,013	-1,135	-9,218	-9,408
Changes in technical provisions				
Provision for future policy benefits	-17	-23	-40	187
Provision for outstanding claims	5	-58	-72	-65
Provision for premium refunds	0	0	-674	-374
Other technical result	-1	1	-67	-40
Net expenses for claims and benefits	-1,027	-1,216	-10,070	-9,701

Operating expenses

€m	Reinsurance			
	Life		Property-casualty	
	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015
Acquisition costs, profit commission and reinsurance commission paid	-798	-988	-2,140	-2,110
Administrative expenses	-165	-171	-681	-676
Change in deferred acquisition costs and contingent commissions, amortisation and impairment losses of acquired insurance portfolios	-57	-63	41	104
Gross operating expenses	-1,019	-1,222	-2,779	-2,681
Ceded share of acquisition costs, profit commission and reinsurance commission paid	50	30	76	60
Ceded share of change in deferred acquisition costs and contingent commissions	-5	-2	4	-5
Operating expenses - Ceded share	46	28	80	56
Net operating expenses	-974	-1,194	-2,700	-2,626

→	ERGO					
	Life and Health Germany		Property-casualty Germany		International	
€m	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015
Acquisition costs, profit commission and reinsurance commission paid	-478	-467	-292	-268	-492	-462
Administrative expenses	-189	-185	-254	-253	-136	-142
Change in deferred acquisition costs and contingent commissions, amortisation and impairment losses of acquired insurance portfolios	-66	-76	-10	30	-5	10
Gross operating expenses	-734	-728	-556	-491	-633	-594
Ceded share of acquisition costs, profit commission and reinsurance commission paid	3	2	-3	-1	22	20
Ceded share of change in deferred acquisition costs and contingent commissions	0	0	0	0	-3	-1
Operating expenses – Ceded share	3	2	-2	-1	19	18
Net operating expenses	-731	-726	-558	-493	-614	-576

→	Munich Health				Total
€m	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015	
Acquisition costs, profit commission and reinsurance commission paid	-340	-348	-4,541	-4,644	-4,644
Administrative expenses	-58	-57	-1,482	-1,484	-1,484
Change in deferred acquisition costs and contingent commissions, amortisation and impairment losses of acquired insurance portfolios	14	-52	-83	-46	-46
Gross operating expenses	-384	-457	-6,105	-6,174	-6,174
Ceded share of acquisition costs, profit commission and reinsurance commission paid	3	23	151	133	133
Ceded share of change in deferred acquisition costs and contingent commissions	-1	5	-4	-4	-4
Operating expenses – Ceded share	2	27	147	129	129
Net operating expenses	-382	-430	-5,958	-6,045	-6,045

Operating expenses

€m	Reinsurance			
	Q2 2016	Q2 2015	Life	Property-casualty
			Q2 2016	Q2 2015
Acquisition costs, profit commission and reinsurance commission paid	-386	-510	-1,072	-1,068
Administrative expenses	-83	-86	-339	-347
Change in deferred acquisition costs and contingent commissions, amortisation and impairment losses of acquired insurance portfolios	-24	-25	-19	52
Gross operating expenses	-492	-621	-1,430	-1,362
Ceded share of acquisition costs, profit commission and reinsurance commission paid	29	25	43	32
Ceded share of change in deferred acquisition costs and contingent commissions	0	0	2	-1
Operating expenses - Ceded share	29	25	45	30
Net operating expenses	-463	-596	-1,384	-1,332

€m	ERGO					
	Life and Health Germany		Property-casualty Germany		International	
	Q2 2016	Q2 2015	Q2 2016	Q2 2015	Q2 2016	Q2 2015
Acquisition costs, profit commission and reinsurance commission paid	-239	-230	-139	-139	-249	-232
Administrative expenses	-89	-90	-125	-117	-70	-74
Change in deferred acquisition costs and contingent commissions, amortisation and impairment losses of acquired insurance portfolios	-53	-31	-21	10	-1	1
Gross operating expenses	-380	-351	-286	-246	-321	-305
Ceded share of acquisition costs, profit commission and reinsurance commission paid	1	1	3	4	9	9
Ceded share of change in deferred acquisition costs and contingent commissions	0	0	-2	0	-3	0
Operating expenses - Ceded share	1	1	0	3	6	9
Net operating expenses	-379	-350	-285	-243	-315	-296

→	Munich Health		Total	
	Q2 2016	Q2 2015	Q2 2016	Q2 2015
€m				
Acquisition costs, profit commission and reinsurance commission paid	-163	-182	-2,248	-2,361
Administrative expenses	-29	-28	-736	-743
Change in deferred acquisition costs and contingent commissions, amortisation and impairment losses of acquired insurance portfolios	-6	-19	-124	-11
Gross operating expenses	-198	-229	-3,107	-3,115
Ceded share of acquisition costs, profit commission and reinsurance commission paid	7	18	92	88
Ceded share of change in deferred acquisition costs and contingent commissions	0	2	-3	0
Operating expenses - Ceded share	8	20	89	88
Net operating expenses	-191	-209	-3,018	-3,026

Investment result by investment class and segment (before deduction of income from technical interest)

€m	Reinsurance			
	Life		Property-casualty	
	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015
Land and buildings, including buildings on third-party land	9	9	58	46
Investments in affiliated companies	0	0	2	2
Investments in associates and joint ventures	0	0	57	56
Loans	2	1	9	3
Other securities available for sale				
Fixed-interest	288	349	807	1,000
Non-fixed-interest	37	129	177	584
Other securities at fair value through profit or loss				
Held for trading				
Fixed-interest	0	0	0	0
Non-fixed-interest	0	0	1	2
Derivatives	-57	-74	-260	-317
Designated as at fair value through profit or loss				
Fixed-interest	0	0	0	0
Non-fixed-interest	0	0	0	0
Deposits retained on assumed reinsurance, and other investments	49	133	93	35
Expenses for the management of investments, other expenses	-23	-23	-90	-81
Total	305	524	855	1,330

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→	ERGO					
	Life and Health Germany		Property-casualty Germany		International	
	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015
€m						
Land and buildings, including buildings on third-party land	102	83	5	5	2	2
Investments in affiliated companies	-6	-3	0	1	-143	0
Investments in associates and joint ventures	21	65	1	0	-1	1
Loans	1,426	1,041	26	3	6	8
Other securities available for sale						
Fixed-interest	752	1,012	28	67	355	250
Non-fixed-interest	34	192	-30	157	32	45
Other securities at fair value through profit or loss						
Held for trading						
Fixed-interest	0	0	0	0	0	0
Non-fixed-interest	0	0	0	0	0	0
Derivatives	589	-309	-13	-24	52	-49
Designated as at fair value through profit or loss						
Fixed-interest	0	0	0	0	13	-8
Non-fixed-interest	0	0	0	0	-17	0
Deposits retained on assumed reinsurance, and other investments	-3	0	0	1	6	6
Expenses for the management of investments, other expenses	-112	-102	-7	-8	-13	-15
Total	2,803	1,979	8	200	293	240

→	Munich Health				Total	
	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015
€m						
Land and buildings, including buildings on third-party land	2	0	178		146	
Investments in affiliated companies	0	10	-147		9	
Investments in associates and joint ventures	5	5	82		127	
Loans	1	1	1,469		1,056	
Other securities available for sale						
Fixed-interest	53	53	2,283		2,732	
Non-fixed-interest	0	0	251		1,106	
Other securities at fair value through profit or loss						
Held for trading						
Fixed-interest	0	0	0		0	
Non-fixed-interest	0	0	1		2	
Derivatives	-1	0	310		-774	
Designated as at fair value through profit or loss						
Fixed-interest	0	0	13		-9	
Non-fixed-interest	0	0	-17		0	
Deposits retained on assumed reinsurance, and other investments	1	0	146		175	
Expenses for the management of investments, other expenses	-3	-2	-247		-231	
Total	58	67	4,322		4,341	

Investment result by investment class and segment (before deduction of income from technical interest)

€m	Reinsurance				
	Q2 2016	Life		Property-casualty	
		Q2 2015	Q2 2016	Q2 2015	
Land and buildings, including buildings on third-party land	4	5	27	23	
Investments in affiliated companies	0	0	2	1	
Investments in associates and joint ventures	0	0	60	26	
Loans	1	1	5	2	
Other securities available for sale					
Fixed-interest	165	156	563	426	
Non-fixed-interest	75	87	169	395	
Other securities at fair value through profit or loss					
Held for trading					
Fixed-interest	0	0	0	0	
Non-fixed-interest	0	0	1	0	
Derivatives	-15	22	-65	108	
Designated as at fair value through profit or loss					
Fixed-interest	0	0	0	0	
Non-fixed-interest	0	0	0	0	
Deposits retained on assumed reinsurance, and other investments	22	63	38	25	
Expenses for the management of investments, other expenses	-11	-12	-46	-40	
Total	240	321	754	964	



ERGO

€m	Life and Health Germany		Property-casualty Germany		International	
	Q2 2016	Q2 2015	Q2 2016	Q2 2015	Q2 2016	Q2 2015
	Land and buildings, including buildings on third-party land	54	40	2	2	1
Investments in affiliated companies	-3	-1	0	0	-133	0
Investments in associates and joint ventures	17	60	1	-3	-2	5
Loans	804	565	13	14	3	4
Other securities available for sale						
Fixed-interest	427	445	16	28	256	169
Non-fixed-interest	32	79	-6	93	25	16
Other securities at fair value through profit or loss						
Held for trading						
Fixed-interest	0	0	0	0	0	0
Non-fixed-interest	0	0	0	0	0	0
Derivatives	266	-222	-1	10	19	-19
Designated as at fair value through profit or loss						
Fixed-interest	0	0	0	0	5	-17
Non-fixed-interest	0	0	0	0	-4	0
Deposits retained on assumed reinsurance, and other investments	-2	0	0	1	3	3
Expenses for the management of investments, other expenses	-59	-52	-4	-4	-7	-7
Total	1,538	912	23	141	166	154

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→ €m	Munich Health		Total	
	Q2 2016	Q2 2015	Q2 2016	Q2 2015
Land and buildings, including buildings on third-party land	2	0	91	71
Investments in affiliated companies	0	6	-135	6
Investments in associates and joint ventures	1	0	77	88
Loans	0	0	825	585
Other securities available for sale				
Fixed-interest	27	24	1,455	1,247
Non-fixed-interest	0	0	296	670
Other securities at fair value through profit or loss				
Held for trading				
Fixed-interest	0	0	0	0
Non-fixed-interest	0	0	1	0
Derivatives	0	-1	205	-102
Designated as at fair value through profit or loss				
Fixed-interest	0	0	5	-18
Non-fixed-interest	0	0	-4	0
Deposits retained on assumed reinsurance, and other investments	0	0	62	91
Expenses for the management of investments, other expenses	-1	-1	-128	-117
Total	29	28	2,750	2,521

Investment income by segment (before deduction of income from technical interest)

€m	Reinsurance			
	Life		Property-casualty	
	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015
Regular income	339	453	870	991
Thereof:				
Interest income	285	397	571	660
Write-ups of non-derivative investments	14	2	98	9
Gains on the disposal of non-derivative investments	147	231	811	1,037
Write-ups and gains on the disposal of derivatives	244	200	1,078	899
Other income	0	0	0	0
Total	744	886	2,857	2,936



€m	ERGO					
	Life and Health Germany		Property-casualty Germany		International	
	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015
Regular income	1,865	2,017	88	104	244	257
Thereof:						
Interest income	1,595	1,667	52	64	229	240
Write-ups of non-derivative investments	28	17	1	0	19	1
Gains on the disposal of non-derivative investments	720	599	41	175	195	102
Write-ups and gains on the disposal of derivatives	698	190	51	68	58	14
Other income	0	0	0	0	0	0
Total	3,310	2,823	181	347	515	374



€m	Munich Health				Total	
	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015
	Regular income	44	42	3,451	3,863	
Thereof:						
Interest income	38	37	2,770	3,066		
Write-ups of non-derivative investments	0	0	160	30		
Gains on the disposal of non-derivative investments	26	42	1,939	2,186		
Write-ups and gains on the disposal of derivatives	4	1	2,132	1,371		
Other income	0	0	0	0		
Total	74	85	7,682	7,450		

Investment income by segment (before deduction of income from technical interest)

€m	Reinsurance				
	Q2 2016	Life		Property-casualty	
		Q2 2015	Q2 2016	Q2 2015	
Regular income	176	230	483	525	
Thereof:					
Interest income	141	194	287	324	
Write-ups of non-derivative investments	5	2	56	7	
Gains on the disposal of non-derivative investments	145	118	578	550	
Write-ups and gains on the disposal of derivatives	101	68	446	318	
Other income	0	0	0	0	
Total	426	418	1,563	1,399	

€m	ERGO					
	Life and Health Germany		Property-casualty Germany		International	
	Q2 2016	Q2 2015	Q2 2016	Q2 2015	Q2 2016	Q2 2015
Regular income	975	1,094	48	55	122	140
Thereof:						
Interest income	800	834	25	32	114	124
Write-ups of non-derivative investments	16	2	1	0	9	-9
Gains on the disposal of non-derivative investments	451	224	13	95	178	67
Write-ups and gains on the disposal of derivatives	280	-47	19	32	23	-13
Other income	0	0	0	0	0	0
Total	1,722	1,274	81	182	331	185

€m	Munich Health				Total	
	Q2 2016	Q2 2015	Q2 2016	Q2 2015	Q2 2016	Q2 2015
Regular income	20	18	1,823	2,062		
Thereof:						
Interest income	18	19	1,385	1,527		
Write-ups of non-derivative investments	0	0	87	1		
Gains on the disposal of non-derivative investments	13	13	1,377	1,068		
Write-ups and gains on the disposal of derivatives	2	0	871	359		
Other income	0	0	0	0		
Total	35	31	4,158	3,490		

Investment expenses by segment (before deduction of income from technical interest)

€m	Reinsurance			
	Life		Property-casualty	
	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015
Write-downs of non-derivative investments	-25	-17	-110	-75
Losses on the disposal of non-derivative investments	-87	-41	-446	-202
Write-downs and losses on the disposal of derivatives	-303	-278	-1,349	-1,238
Management expenses, interest charges and other expenses	-24	-25	-98	-91
Thereof:				
Interest charges	-1	-1	-3	-4
Total	-439	-362	-2,002	-1,606



€m	Life and Health Germany		Property-casualty Germany		International	
	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015
	Write-downs of non-derivative investments	-175	-97	-51	-34	-40
Losses on the disposal of non-derivative investments	-62	-101	-49	-12	-160	-9
Write-downs and losses on the disposal of derivatives	-151	-537	-64	-92	-10	-66
Management expenses, interest charges and other expenses	-119	-109	-8	-8	-13	-15
Thereof:						
Interest charges	-2	-3	0	0	0	0
Total	-507	-843	-173	-146	-223	-134



€m	Munich Health		Total	
	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015
Write-downs of non-derivative investments	-1	-1	-402	-268
Losses on the disposal of non-derivative investments	-8	-14	-812	-380
Write-downs and losses on the disposal of derivatives	-5	-1	-1,881	-2,212
Management expenses, interest charges and other expenses	-3	-2	-266	-250
Thereof:				
Interest charges	0	0	-6	-8
Total	-16	-18	-3,360	-3,109

Investment expenses by segment (before deduction of income from technical interest)

€m	Reinsurance			
	Q2 2016	Life		Property-casualty
		Q2 2015	Q2 2016	Q2 2015
Write-downs of non-derivative investments	-1	-8	-2	-38
Losses on the disposal of non-derivative investments	-56	-27	-242	-131
Write-downs and losses on the disposal of derivatives	-116	-49	-515	-219
Management expenses, interest charges and other expenses	-12	-13	-50	-46
Thereof:				
Interest charges	0	0	-2	-2
Total	-186	-97	-809	-435

€m	ERGO					
	Life and Health Germany		Property-casualty Germany		International	
	Q2 2016	Q2 2015	Q2 2016	Q2 2015	Q2 2016	Q2 2015
Write-downs of non-derivative investments	-67	-23	-27	-8	-12	-11
Losses on the disposal of non-derivative investments	-19	-88	-7	-7	-141	-5
Write-downs and losses on the disposal of derivatives	-35	-195	-19	-22	-6	-7
Management expenses, interest charges and other expenses	-62	-56	-4	-4	-7	-7
Thereof:						
Interest charges	-1	-2	0	0	0	0
Total	-184	-362	-57	-41	-166	-31

€m	Munich Health				Total	
	Q2 2016	Q2 2015	Q2 2016	Q2 2015	Q2 2016	Q2 2015
	Write-downs of non-derivative investments	0	0	-109	-88	-109
Losses on the disposal of non-derivative investments	-2	-1	-467	-259	-467	-259
Write-downs and losses on the disposal of derivatives	-2	-1	-694	-494	-694	-494
Management expenses, interest charges and other expenses	-1	-1	-137	-128	-137	-128
Thereof:						
Interest charges	0	0	-3	-4	-3	-4
Total	-6	-3	-1,408	-969	-1,408	-969

Result from insurance-related investments

€m	Q1-2 2016	Q2 2016	Q1-2 2015	Q2 2015
Investments for unit-linked life insurance contracts	-206	-25	272	-324
Other insurance-related investments	29	56	-19	-2
Total	-177	31	253	-326

Other operating result

€m	Reinsurance			
	Life		Property-casualty	
	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015
Other operating income	50	69	128	153
Thereof:				
Interest income	23	39	9	4
Write-ups of other operating assets	0	0	1	3
Other operating expenses	-36	-40	-200	-196
Thereof:				
Interest charges	-3	-6	-13	-14
Write-downs of other operating assets	-2	-1	-8	-3



€m	ERGO					
	Life and Health Germany		Property-casualty Germany		International	
	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015
Other operating income	47	48	35	29	74	64
Thereof:						
Interest income	6	2	1	1	1	2
Write-ups of other operating assets	2	3	0	1	1	0
Other operating expenses	-78	-77	-51	-26	-80	-72
Thereof:						
Interest charges	-16	-19	-5	-5	-5	-5
Write-downs of other operating assets	-2	-3	-1	-1	-7	-10



€m	Munich Health				Total
	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015	Q1-2 2015
	Other operating income	23	25	357	388
Thereof:					
Interest income	2	3	42	50	
Write-ups of other operating assets	0	1	4	8	
Other operating expenses	-21	-27	-466	-438	
Thereof:					
Interest charges	-2	-3	-43	-51	
Write-downs of other operating assets	-1	-1	-22	-18	

Other operating result

€m	Reinsurance			
	Q2 2016	Q2 2015	Life	Property-casualty
			Q2 2016	Q2 2015
Other operating income	25	40	67	86
Thereof:				
Interest income	12	20	7	3
Write-ups of other operating assets	0	0	0	1
Other operating expenses	-16	-20	-95	-91
Thereof:				
Interest charges	-1	-3	-6	-4
Write-downs of other operating assets	0	-1	-5	-1

€m	ERGO					
	Life and Health Germany		Property-casualty Germany		International	
	Q2 2016	Q2 2015	Q2 2016	Q2 2015	Q2 2016	Q2 2015
Other operating income	20	24	18	15	35	31
Thereof:						
Interest income	-1	1	0	1	0	1
Write-ups of other operating assets	0	2	0	0	1	0
Other operating expenses	-35	-38	-21	-11	-36	-37
Thereof:						
Interest charges	-7	-10	-2	-2	-3	-3
Write-downs of other operating assets	-1	-1	0	0	-3	-5

€m	Munich Health				Total	
	Q2 2016	Q2 2015	Q2 2016	Q2 2015	Q2 2016	Q2 2015
	Other operating income	10	11	175	208	
Thereof:						
Interest income	1	1	19	28		
Write-ups of other operating assets	0	0	2	4		
Other operating expenses	-10	-12	-212	-210		
Thereof:						
Interest charges	0	-1	-19	-24		
Write-downs of other operating assets	-1	-1	-10	-10		

Other operating income for the first six months mainly comprises income of €254m (255m) from services rendered, interest and similar income of €42m (50m), income of €29m (38m) from the release/reduction of miscellaneous provisions and provisions for bad and doubtful debts, and income of €14m (16m) from owner-occupied property, some of which is also leased out.

In addition to expenses of €203m (196m) for services rendered, other operating expenses chiefly include interest charges and similar expenses of €43m (51m), and other tax of €63m (61m). They also contain expenses of €6m (6m) for owner-occupied property, some of which is also leased out.

Other non-operating result, impairment losses of goodwill and net finance costs

€m	Reinsurance			
	Life		Property-casualty	
	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015
Other non-operating income	74	-74	255	-217
Impairment losses of goodwill	0	0	0	0
Net finance costs	-17	-20	-54	-64



€m	ERGO					
	Life and Health Germany		Property-casualty Germany		International	
	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015
Other non-operating income	-293	-84	-159	-24	-80	-27
Impairment losses of goodwill	0	0	0	0	-9	0
Net finance costs	-17	-15	-6	-7	-14	-14



€m	Munich Health				Total	
	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015
	Other non-operating income	2	0	-201	-426	-201
Impairment losses of goodwill	0	0	-9	0	-9	0
Net finance costs	-1	-1	-108	-120	-108	-120

Other non-operating result, impairment losses of goodwill and net finance costs

€m	Reinsurance			
	Life		Property-casualty	
	Q2 2016	Q2 2015	Q2 2016	Q2 2015
Other non-operating income	73	-84	271	-282
Impairment losses of goodwill	0	0	0	0
Net finance costs	-9	-10	-30	-32



€m	ERGO					
	Life and Health Germany		Property-casualty Germany		International	
	Q2 2016	Q2 2015	Q2 2016	Q2 2015	Q2 2016	Q2 2015
Other non-operating income	-267	-47	-166	-6	-34	-12
Impairment losses of goodwill	0	0	0	0	-9	0
Net finance costs	-8	-8	-3	-3	-7	-7



€m	Munich Health				Total	
	Q2 2016	Q2 2015	Q2 2016	Q2 2015	Q2 2016	Q2 2015
	Other non-operating income	4	-1	-120	-432	-120
Impairment losses of goodwill	0	0	-9	0	-9	0
Net finance costs	0	0	-58	-60	-58	-60

The other non-operating result is unrelated to the conclusion, administration or settlement of insurance contracts or the administration of investments. In the first half-year, it essentially comprises a foreign-currency result of €320m (-296m) and restructuring expenses of €400m (12m).

Other information

Non-current assets and disposal groups held for sale and sold in the reporting period

In the second quarter of 2016, we decided to sell residential and commercial investment property with a carrying amount of €56.5m allocated to the ERGO Life and Health Germany segment. We expect the contract to be signed in the third quarter of 2016. The carrying amount was reallocated from "land and buildings, including buildings on third-party land" to "assets held for sale". As part of this reallocation of the property, we recognised an amount of around €12m in the income statement, thereby reversing an impairment loss recognised in prior years. The effect on our result from this disposal, which is expected for the third quarter 2016, is minor owing to the participation of our policyholders.

In the first quarter of 2016, ERGO International AG, Düsseldorf decided to sell its subsidiary ERGO Emeklilik ve Hayat A.S. On 16 March 2016, the contract of sale was signed with the Fiba Holding Group. The company was deconsolidated in the second quarter of 2016. The purchase price was €4m. The sale had an adverse impact of €6m on our consolidated result.

In November 2015, ERGO International AG, Düsseldorf, agreed to sell its Italian subsidiary ERGO Italia to the private equity investor Cinven. The transaction was concluded at the end of June 2016, and ERGO Italia and its subsidiaries were deconsolidated. The disposal had an impact of around €9m on our consolidated result. We had made provisions for the anticipated loss as at 31 December 2015 and set aside a reserve of €82m.

Related parties

Transactions between Munich Reinsurance Company and subsidiaries that are to be deemed related parties have been eliminated in consolidation and are not disclosed in the notes. Business relations with unconsolidated subsidiaries are of subordinate importance as a whole; this also applies to business relations with associates and joint ventures.

Munich Reinsurance Company has established a contractual trust agreement in the form of a two-way trust for its unfunded company pension obligations. The Munich Re pension scheme is considered a related party in accordance with IAS 24. Contributions to the pension scheme are recognised as expenses for defined contribution plans.

No significant transactions were conducted between Board members and Munich Re.

Number of staff

The number of staff employed by the Group as at 30 June 2016 totalled 21,617 (21,812) in Germany and 22,144 (21,742) in other countries.

Number of staff

	30.6.2016	31.12.2015
Reinsurance	12,270	12,041
ERGO	28,933	29,028
Munich Health	2,558	2,485
Total	43,761	43,554

Contingent liabilities, other financial commitments

In comparison with the situation at 31 December 2015, financial commitments of significance for the assessment of the Group's financial position have not changed materially.

Earnings per share

Diluting effects to be disclosed separately for the calculation of earnings per share were not present either in the current reporting period or in the same period last year. Earnings per share can be potentially diluted in future through the issue of shares or subscription rights from amounts authorised for increasing the share capital and from contingent capital.

The earnings per share figure is calculated by dividing the consolidated result for the reporting period attributable to Munich Reinsurance Company equity holders by the weighted average number of outstanding shares.

Earnings per share

	Q1-2 2016	Q2 2016	Q1-2 2015	Q2 2015
Consolidated result attributable to Munich Reinsurance Company equity holders €m	1,404	974	1,860	1,070
Weighted average number of outstanding shares	161,528,918	161,007,852	167,233,356	166,746,728
Earnings per share €	8.69	6.05	11.12	6.42

Events after the balance sheet date

On 1 August 2016, via its subsidiary ERGO International AG, Düsseldorf, Munich Re acquired 100% of the voting shares in AGROTIKI Insurance S.A. (ATE Insurance), Athens. The purchase price was around €90m. It was paid in cash and fully financed from internal resources. ATE Insurance focuses on property-casualty insurance, in particular motor and fire business. It ranks ninth in the Greek property-casualty insurance market. ATE Insurance also offers life insurance products and ranks 11th in the life market in Greece. In acquiring ATE, ERGO is significantly expanding its presence in Greece and will thus become the largest property-casualty insurer in Greece.

ERGO already has a presence in Greece with its subsidiaries ERGO General Insurance Company S.A., Athens, and ERGO Life Insurance Company S.A., Thessaloniki. The companies are managed and supported by a local management team, which can draw on ERGO's comprehensive expertise in the area of risk management and its broad experience in developing innovative products and sales channels.

In connection with the acquisition of ATE Insurance, its existing client relationships, sales channels, brand and software have been identified as other intangible assets. As part of the transaction, it is likely that around €5m in other intangible assets will be capitalised. The amount of goodwill arising from the transaction is expected to be low.

The provisional IFRS carrying amounts of ATE Insurance at the acquisition date are as follows:

- investments of €412m;
- ceded share of technical provisions amounting to €45m;
- cash at banks, cheques and cash in hand of €29m;
- receivables and other assets of €162m;
- equity of €90m;
- gross technical provisions of €485m; and
- other provisions and liabilities of €73m.

The fair value of the receivables acquired as part of the transaction largely corresponds to the carrying amount. No material defaults were expected at the time of acquisition.

No contingent liabilities or material separate transactions within the meaning of IFRS 3 were identified.

As ATE Insurance was acquired as at 1 August 2016, no income and expenses have been included in the consolidated income statement for the period from 1 January until 30 June 2016.

If ERGO Insurance Group had acquired ATE Insurance at the beginning of the 2016 financial year, ATE Insurance would have contributed €60m in gross premiums written to the consolidated premium and a result of €3m to the consolidated result.

The aforementioned disclosures regarding first-time recognition are provisional, as there could still be adjustments to the purchase price.

On 19 July 2016, via its subsidiaries ERGO Austria International AG, Vienna, and ERGO Versicherung AG, Vienna, Munich Re acquired 100% of the voting shares in Credit Europe Asigurari Reasigurari S.A., Bucharest (CEA). The purchase price was around €12m. It was paid in cash and fully financed from internal resources. CEA offers a broad spectrum of property-casualty insurance products, with a focus on the motor own damage, personal accident, liability and fire classes of business, and its market share already amounts to 0.6% of the entire Romanian property-casualty market. Through the acquisition of CEA, ERGO is consistently pursuing its international growth strategy, developing new sales channels and entering the Romanian non-life insurance market with its attractive growth opportunities. The aforementioned purchase price is subject to adjustment.

On 29 July 2016, via its subsidiary ERGO International AG, Düsseldorf, Munich Re acquired 40.26 % of the voting shares in Thaisri Insurance from Pailuck Company Ltd, Bangkok. Thaisri Insurance offers a broad spectrum of property-casualty insurance products, with a focus on motor and property insurance. Through the acquisition of Thaisri Insurance, ERGO is consistently pursuing its international growth strategy, and entering Thailand's non-life insurance market with its attractive growth opportunities.

Drawn up and released for publication, Munich,
8 August 2016.

The Board of Management

Review report

We have reviewed the condensed interim consolidated financial statements – comprising the consolidated balance sheet, the consolidated income statement, the statement of recognised income and expense, the Group statement of changes in equity, the condensed consolidated cash flow statement and the selected notes – together with the interim Group management report of Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München, for the period from 1 January 2016 to 30 June 2016, that are part of the semi-annual financial report according to Section 37w of the German Securities Trading Act (WpHG). The preparation of the condensed interim consolidated financial statements in accordance with those IFRSs applicable to interim financial reporting as adopted by the EU, and of the interim Group management report in accordance with the requirements of the Securities Trading Act applicable to interim group management reports, is the responsibility of the parent company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and the interim Group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim Group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material aspects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and that the interim Group management report has not been prepared, in material aspects, in accordance with the requirements of the Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRSs applicable to interim financial reporting as adopted by the EU, or that the interim Group management report has not been prepared, in material aspects, in accordance with the requirements of the Securities Trading Act applicable to interim group management reports.

Munich, 9 August 2016

KPMG Bayerische Treuhandgesellschaft
Aktiengesellschaft Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Dr. Ellenbürger
Wirtschaftsprüfer
(Certified public accountant)

Lipl
Wirtschaftsprüferin
(Certified public accountant)

Responsibility statement

“To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.”

Munich, 9 August 2016

H. Hüny

Alho

Anschütz

Bleisch

Asper

Jaschke

Opel

Roth

Stroh

Wenzing

Supervisory Board

Dr. Bernd Pischetsrieder
(Chairman)

Board of Management

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(Chairman)
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Responsible for content

Financial and Regulatory Reporting

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The official German original of this report is also available from the Company. In addition, you can find our annual and interim reports, along with further information about Munich Re and its shares, on the internet at www.munichre.com

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Important dates 2016

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