Half-Year Financial Report
Munich Re

2017

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Key figures (IFRS)

Munich Re at a glance

		Q1–2 2017	Q1–2 2016	Change	Q2 2017	Q2 2016	Change
				%			%
Consolidated result	€m	1,290	1,411	-8.6	733	974	-24.8
Thereof attributable to non-controlling interests	€m	7	6	8.9	3	0	>1,000.0
Earnings per share	€	8.26	8.69	-5.0	4.71	6.05	-22.2
Return on risk-adjusted capital (RORAC)	%	9.7	11.9		11.0	16.5	
Return on investment (RoI)	%	3.5	3.7		3.2	4.7	
Return on equity (RoE)	%	8.2	8.9		9.4	12.2	

		30.6.2017	31.12.2016	Change
				%
Carrying amount per share	€	194.15	200.86	-3.3
Munich Reinsurance Company's market capitalisation	€bn	27.4	28.9	-5.4
Share price	€	176.55	179.65	-1.7
Equity	€m	30,139	31,785	-5.2
Investments	€m	215,760	219,416	-1.7
Insurance-related investments	€m	9,593	9,558	0.4
Net technical provisions	€m	202,889	202,240	0.3
Balance sheet total	€m	265,940	267,805	-0.7
Number of staff		43,157	43,428	-0.6

Reinsurance[1]

		Q1–2 2017	Q1–2 2016	Change	Q2 2017	Q2 2016	Change
				%			%
Gross premiums written	€m	15,705	15,446	1.7	7,659	7,822	-2.1
Combined ratio property-casualty	%	95.5	94.3		93.9	99.8	
Investment result	€m	1,410	1,190	18.5	718	1,009	-28.8
Consolidated result	€m	1,095	1,440	-24.0	629	991	-36.6
Thereof: Reinsurance – Life and health	€m	237	237	0.1	112	213	-47.7
Thereof: Reinsurance – Property-casualty	€m	858	1,203	-28.7	517	778	-33.5

ERGO[1]

		Q1–2 2017	Q1–2 2016	Change	Q2 2017	Q2 2016	Change
				%			%
Gross premiums written	€m	9,020	8,993	0.3	4,141	4,106	0.9
Combined ratio Property-casualty Germany	%	95.8	95.9		92.7	93.3	
Combined ratio International	%	97.5	97.9		98.7	101.5	
Investment result	€m	2,630	3,132	-16.0	1,171	1,741	-32.7
Consolidated result	€m	195	-30	–	104	-17	–
Thereof: Life and Health Germany	€m	113	69	64.3	50	55	-8.7
Thereof: Property-casualty Germany	€m	61	-92	–	48	-68	–
Thereof: International	€m	22	-6	–	5	-4	–

1 Previous year's figures adjusted owing to a change in the composition of the reporting segments.

Contents

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

Interim management report

Business environment

Monetary policies again diverged worldwide during the first six months of 2017. Given the robust labour market in the USA, the Federal Reserve continued to raise interest rates in March and June. In June, the Fed also published further details of its plan to reduce bond holdings. By contrast, other large economies were strongly expanding their monetary policies. The European Central Bank and the Japanese central bank continued their bond-buying programmes and stuck with their low base rates. The Bank of England also maintained its low base rates. The low-interest-rate environment continues to pose great challenges for investors. Yields on ten-year government bonds in Germany varied during the first six months of 2017, but remained at a low level overall. Yields on ten-year government bonds in the USA – which had risen strongly at the end of 2016 – did not see much of an increase in the first quarter, and fell slightly in the second quarter. One reason for this was lower inflation expectations. The yield difference between German government bonds and those from other eurozone countries decreased after the French presidential election at the end of April. During the first quarter, concerns about nationalist parties succeeding in the election and a renewal of the eurozone crisis had led to a widening of the yield difference.

Yields on ten-year government bonds

%	30.6.2017	31.12.2016
USA	2.3	2.4
Germany	0.5	0.2

Equity markets

	30.6.2017	31.12.2016
DJ EuroStoxx 50	3,442	3,291
Dow Jones Index	21,350	19,763

Volatility in international equity markets was low on average. But concerns about geopolitical escalation (such as in Syria and North Korea) caused a temporary increase in volatility. Important equity indices, such as the US Dow Jones, the DJ EuroStoxx 50, the German DAX and the Japanese Nikkei, closed slightly higher at the end of June than at the end of December 2016.

Currency translation rates

Rate for €1	30.6.2017	31.12.2016	Q2 2017	Q2 2016
Australian dollar	1.48690	1.45660	1.46583	1.51527
Canadian dollar	1.48125	1.41445	1.47958	1.45566
Pound sterling	0.87805	0.85360	0.86022	0.78726
US dollar	1.14055	1.05475	1.10081	1.12926
Yen	128.1520	123.0210	122.3210	121.8700

At the end of the first half-year, the euro exchange rate was higher as against important currencies than at the end of 2016 (US dollar +8.1%, Canadian dollar +4.7%, pound sterling +2.9%, Australian dollar +2.1%, and Japanese yen +4.2%). In the second quarter of 2017, the average value of the euro was lower year on year as against the US dollar (–2.5%) and the Australian dollar (–3.3%), but it was higher against the Japanese yen (+0.4%), the Canadian dollar (+1.6%) and the pound sterling (+9.3%).

Business performance of the Group and overview of investment performance

Key figures

		Q1–2 2017	Q1–2 2016	Change	Q2 2017	Q2 2016	Change
				%			%
Gross premiums written	€m	24,725	24,438	1.2	11,800	11,928	–1.1
Technical result	€m	1,456	1,474	–1.2	762	529	44.1
Investment result	€m	4,040	4,322	–6.5	1,889	2,750	–31.3
Insurance-related investment result	€m	168	–177	–	12	31	–60.3
Operating result	€m	2,108	2,188	–3.6	1,156	1,463	–20.9
Taxes on income	€m	–295	–459	35.6	–108	–302	64.3
Return on risk-adjusted capital (RORAC)[1]	%	9.7	11.9		11.0	16.5	
Return on equity (RoE)[2]	%	8.2	8.9		9.4	12.2	
Consolidated result	€m	1,290	1,411	–8.6	733	974	–24.8
					30.6.2017	31.12.2016	Change
					€bn	€bn	%
Equity					30.1	31.8	–5.2

1 RORAC is a mixture of accounting ratios and economic indicators. A conversion to IFRS figures is therefore not possible. Further information on RORAC is provided on page 47 of our Annual Report 2016.
2 The RoE is calculated on the basis of the consolidated result, including the result attributable to non-controlling interests. To calculate average equity capital for the first six months of 2017, we take the values as at 31 December 2016 (€31.8bn), 31 March 2017 (€32.2bn) and 30 June 2017 (€30.1bn).

Munich Re (Group) dismantled the Munich Health field of business with effect from 1 February 2017, and re-allocated its units. The reinsurance part of Munich Health was merged with the life reinsurance segment, and the primary insurance part was transferred to ERGO International.

Munich Re generated a consolidated profit of €1.3bn (1.4bn) in the first six months of 2017, of which around €0.7bn is attributable to the second quarter. The fact that the consolidated profit is so pleasing for both the first half-year and the second quarter is mainly due to below-average major-loss expenditure both in reinsurance and at ERGO, and to a good investment result in all segments. By contrast, the technical result in life and health reinsurance for the second quarter was impacted mainly by increased claims in the USA.

Our premium income increased year on year by 1.2% because of currency translation effects and the conclusion of new treaties, particularly in life and health reinsurance.

The revaluation of balance-sheet items in foreign currencies at period-end exchange rates led to a negative currency result of –€162m in the second quarter. The figure for the first six months was –€219m (+320m).

The tax burden for the first half-year was €295m (459m), of which €108m was for the second quarter. The effective tax rate of 18.6% (24.5%) in the first six months was somewhat below expectations because of various one-off effects.

Despite the positive consolidated result, Group equity as at 30 June 2017 was below the level at the beginning of the year, mainly on account of the dividend payment of €1.3bn in April 2017, the share buy-backs and a decreased currency translation reserve owing to the strong euro. In June, we redeemed a subordinated bond in the amount of €1.4bn. This reduced our debt-to-equity ratio to 9.5% (12.6%), which is low by industry comparison.

The annualised return on risk-adjusted capital (RORAC) was 9.7% (11.9%) in the first six months, and the return on equity (RoE) was 8.2% (8.9%).

The share buy-back programme announced in March 2016 was concluded as planned on 11 April 2017. In March 2017, the Board of Management launched another share buy-back programme. On the basis of the authorisation granted by the Annual General Meeting on 26 April 2017, we will buy back own shares for a maximum purchase price of €1bn in the period between 27 April 2017 and, at the latest, by the Annual General Meeting on 25 April 2018. Overall, as part of our share buy-back programmes, we repurchased 2.7 million Munich Re shares totalling €471m in the first half of 2017.

Investment mix

	Carrying amounts		Unrealised gains/losses[1]		Fair values	
€m	30.6.2017	31.12.2016	30.6.2017	31.12.2016	30.6.2017	31.12.2016
Land and buildings, including buildings on third-party land	5,083	4,444	2,450	2,413	7,533	6,857
Investments in affiliated companies, associates and joint ventures	2,028	1,711	938	903	2,795	2,445
Loans	52,691	53,691	10,761	13,591	63,452	67,282
Other securities available for sale	143,476	147,843	10,575	11,573	143,476	147,843
Thereof: Fixed-interest	127,420	132,018	7,658	8,649	127,420	132,018
Thereof: Non-fixed-interest	16,055	15,826	2,917	2,924	16,055	15,826
Other securities at fair value through profit or loss	2,095	2,672	0	0	2,095	2,672
Thereof: Derivatives	1,634	2,184	0	0	1,634	2,184
Deposits retained on assumed reinsurance	5,377	5,240	0	0	5,377	5,240
Other investments	5,010	3,814	0	0	5,010	3,814
Total	**215,760**	**219,416**	**24,723**	**28,480**	**229,737**	**236,153**

1 Including on- and off-balance-sheet unrealised gains and losses.

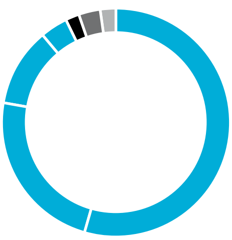
In the first half of 2017, rising interest rates in Europe and the development of exchange rates caused the carrying amount of our total investments at market value and unrealised gains and losses to decline. The portfolio continues to be dominated by fixed-interest securities and loans.

In the first six months of the year, we reduced our investments in covered bonds, bank bonds and credit structures, but increased our cash and corporate bond portfolio.

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

Fixed-interest portfolio by economic category[1]

Total: €199bn (207bn)



Government bonds[2]	54% (53%)
Thereof: Inflation-linked bonds	8% (9%)
Pfandbriefs/Covered bonds	23% (24%)
Corporate bonds	11% (11%)
Cash/Other	4% (4%)
Bank bonds	2% (3%)
Policy and mortgage loans	3% (3%)
Structured products (credit structures)	2% (2%)

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

A total of 54% 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 Japanese, Israeli and Australian government bonds. Above all, we have reduced our bond holdings from issuers in Germany, Turkey and the UK.

The vast majority of our government bonds continue to come from countries with a high credit rating. Our investment in bank bonds is limited and at the reporting date amounted to 2% (3%) of our portfolio of fixed-interest securities. Corporate bonds from other sectors amounted to 11% (11%). Our credit exposure was increased by one percentage point through derivatives.

The carrying amount of our equity portfolio saw an increase. The equity-backing ratio increased to 6.8% (6.1%). The derivatives used to hedge our equity portfolio were reduced. Including derivatives, our equity-backing ratio was 6.0% (5.0%). To protect ourselves against accelerating inflation, we held inflation-linked bonds in the amount of €8.8bn (9.9bn) (at fair values) and inflation-linked swaps with an exposure of €0.3bn (0.2bn). Real assets like shares, property, commodities, and investments in infrastructure and renewable energies also served as protection against inflation. In the second quarter, we increased our infrastructure investments and acquired a share in a US car park operator. Additionally, our investments in real assets had a positive diversification effect on the overall portfolio.

Investment result[1]

	Q1–2 2017	Return[2]	Q1–2 2016	Return[2]	Q2 2017	Q2 2016
	€m	%	€m	%	€m	€m
Regular income	3,354	2.9	3,451	3.0	1,720	1,823
Write-ups/write-downs of non-derivative investments	–76	–0.1	–242	–0.2	–49	–22
Gains/losses on the disposal of non-derivative investments	1,480	1.3	1,128	1.0	432	910
Net balance of derivatives	–449	–0.4	251	0.2	–87	176
Other income/expenses	–270	–0.2	–266	–0.2	–127	–137
Total	**4,040**	**3.5**	**4,322**	**3.7**	**1,889**	**2,750**

1 The investment result by investment class can be found on page 41 of the notes to the consolidated financial statements.
2 Annualised return in % p.a. on the average value of the investment portfolio at the quarterly reporting dates. The investment portfolio used to determine the annualised return (3.5%) for the first six months is calculated as the mean value of the investment portfolios (carrying amounts) as at 31 December 2016 (€219,416m), 31 March 2017 (€220,546m) and 30 June 2017 (€215,760m), and the off-balance-sheet unrealised gains and losses (excluding owner-occupied property) as at 31 December 2016 (€16,738m), 31 March 2017 (€14,853m) and 30 June 2017 (€13,977m).

Regular income saw a slight year-on-year decline in the first half and second quarter of 2017. Whilst dividend income remained was up marginally, interest income decreased. For the period from April to June, the reinvestment yield averaged 1.8% (1.6%) and thus remained lower than the average return on our existing portfolio of investments.

Munich Re posted a significantly lower net balance of write-downs and write-ups of non-derivative investments in the first half-year compared with the same period last year. These mainly concerned our equity portfolio. In the second quarter of the year, no write-downs were necessary on our portfolio of fixed-interest securities. Nevertheless, the net balance of write-downs and write-ups of non-derivative investments for the period from April to June was down year on year. In the same quarter last year, we wrote up the value of physical gold, among other things.

In the first half of 2017, the result from the disposal of non-derivative investments was higher than in the same period last year, in which we had posted lower gains on the disposal of equities and losses owing to the reduction of high-yield corporate bonds. In the second quarter of 2017, we posted net gains on the disposal of non-derivative investments that were €478m lower than in the same period last year. These were mainly attributable to fixed-interest securities.

The net balance of derivatives for the first half-year and second quarter was significantly lower year on year. There were adverse effects in particular from the negative result from interest-rate derivatives, especially from ERGO's interest-rate hedging programme and losses from equity derivatives owing to the rise in market interest-rate levels since the beginning of the year. These losses amounted to €278m (117m) in the first six months of the year and were more than offset by gains from the disposal of equities totalling €560m (144m).

Business performance

Reinsurance – Life and health

Key figures[1]

		Q1–2 2017	Q1–2 2016	Change	Q2 2017	Q2 2016	Change
				%			%
Gross premiums written	€m	6,924	6,329	9.4	3,436	3,233	6.3
Share of gross premiums written in reinsurance	%	44.1	41.0		44.9	41.3	
Technical result, including the result from reinsurance treaties with insufficient risk transfer	€m	234	164	42.7	77	90	–14.8
Investment result	€m	453	335	35.1	231	255	–9.2
Operating result	€m	368	214	72.1	176	212	–16.8
Consolidated result	€m	237	237	0.1	112	213	–47.7

1 Previous year's figures adjusted owing to a change in the composition of the reporting segments.

Premium

We generate the majority of our business in non-euro currencies, in particular Canadian dollars (37%) and US dollars (22%). Exchange-rate fluctuations therefore have a significant impact on premium development. If exchange rates had remained unchanged, our premium volume would have shown year-on-year growth of 7.4% in the first six months and 7.0% in the second quarter, mainly owing to several large-volume treaties that were written in Canada, Australia and Europe in the second half of 2016.

Result

The technical result of €64m for the second quarter did not quite match the very good figures of previous quarters, mainly owing to increased claims in parts of our US life business, and a comparatively low result for Asia. Both of these developments are within the normal range of random fluctuation. There were also a number of largely compensatory one-off effects in the USA, including a one-time negative impact from the recapture of a loss-heavy treaty and adjustments to provisions. Otherwise, results in all areas and regions developed within our range of expectations.

The result from the part of the business that is not posted in the technical result owing to insufficient risk transfer was very satisfying and remained stable at the level of previous quarters.

The increase in the investment result in the first half-year is attributable to higher regular income and an improved net balance of derivatives. The decline in the second quarter mainly derived from lower gains on the disposal of equities.

Reinsurance – Property-casualty

Key figures

		Q1–2 2017	Q1–2 2016	Change	Q2 2017	Q2 2016	Change
				%			%
Gross premiums written	€m	8,781	9,117	–3.7	4,223	4,589	–8.0
Share of gross premiums written in reinsurance	%	55.9	59.0		55.1	58.7	
Loss ratio	%	62.5	62.7		60.4	68.5	
Thereof: Major losses	Percentage points	7.8	7.5		6.0	12.3	
Expense ratio	%	33.0	31.6		33.5	31.3	
Combined ratio	%	95.5	94.3		93.9	99.8	
Technical result	€m	925	1,044	–11.5	537	289	85.7
Investment result	€m	957	855	11.9	487	754	–35.5
Operating result	€m	1,211	1,305	–7.2	720	788	–8.7
Consolidated result	€m	858	1,203	–28.7	517	778	–33.5

Premium

In property-casualty reinsurance, premium income benefited from currency translation effects. However, the reduction in treaty shares and the targeted withdrawal from unprofitable business led to an erosion of gross premiums written. If exchange rates had remained unchanged, premium income would have seen a year-on-year decline of 5.4% for the first six months and 9.8% for the second quarter.

In the renewals at 1 January 2017, global demand for and supply of reinsurance cover remained largely unchanged. There was sufficient reinsurance capacity in all lines of business. Almost €9.0bn in premium volume was up for renewal. Pressure on prices and our targeted withdrawal from unprofitable business triggered a reduction in business volume of 4.9% to around €8.5bn. The price level, which is an indicator of business profitability, fell by about 0.5%. The renewals at 1 April 2017 involved a relatively small volume of business totalling around €1.7bn, or some 9% of the overall portfolio in the property-casualty reinsurance segment. Approximately 14% of this business was attributable to the Japanese market, a further 42% to North America and global business, and about 35% to Europe. At 24%, natural catastrophe business – which has recently been subject to particular price pressure – accounted for a high percentage of this overall volume. The 0.5% decline in prices for the April renewals was equivalent to that of the January renewals, but much less pronounced than the decrease for the renewals in April 2016. We were able to take advantage of select opportunities in some markets, for instance in Japan. Premium volume dropped to around €1.5bn.

Result

The technical result in the property-casualty reinsurance segment was down year on year because of a slight increase in the expense ratio.

In the period from January to June, we posted overall major-loss expenditure of €656m (643m), of which €253m (542m) was attributable to the second quarter, in each case after retrocessions and before tax. This amount, which includes run-off profits and losses for major claims from previous years, makes up a share of 7.8% (first half-year) and 6.0% (second quarter) of net earned premiums. Despite the year-on-year increase, this expenditure was below the average volume of major claims to be expected, i.e. 12% of net earned premiums.

Claims costs from natural catastrophes amounted to €221m (325m) for the first half of the year and €66m (335m) for the second quarter. The largest single loss in the second quarter was a severe thunderstorm in the USA in early May, for which we anticipate expenditure of around €25m.

Man-made losses amounted to €434m (318m) for the first half of the year and €187m (207m) for the second quarter. These figures include expenditure for the tragic fire at Grenfell Tower in London.

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 every quarter. As the claims notifications continued to remain appreciably below the expected level, we made reserve releases of around €240m in the second quarter, which is equivalent to 5.7 percentage points of the combined ratio. We also still aim to set the amount of provisions for newly emerging claims at the very top end of the estimation range, so that profits from the release of a portion of these reserves are possible at a later stage.

The combined ratio amounted to 95.5% (94.3%) of net earned premiums for the first six months of the year and 93.9% (99.8%) for the second quarter. Thus it is at a good level, and well on track to meet our target of around 97% for the full year 2017.

In the first half of the year, we achieved an investment result of €957m (855m). The year-on-year increase is mainly due to an improved net balance of derivatives, in particular from equity hedging. A contrary effect derived from decreased gains on disposals. The year-on-year decline in the second quarter was attributable to lower gains on the disposal of bonds.

ERGO

The ERGO Group (ERGO) – which launched its comprehensive Strategy Programme one year ago – is now more efficiently structured, is investing systematically in digitalisation, and is strengthening its international organisational structures. Following successful completion of its Strategy Programme in 2021, ERGO intends to make a sustainable contribution of more than €600m to the annual result of Munich Re. ERGO has made significant progress in reorganising its sales force. Since the beginning of this year, there has been only one single tied agents' organisation. Over half of the reduction of about 1,800 jobs targeted in the course of the Strategy Programme has already been realised.

ERGO achieved a gratifying result of €104m (–17m) for the second quarter and €195m (–30m) for the first half year – which exceeded expectations owing to one-off tax effects and lower expenditure than planned.

ERGO Life and Health Germany

Key figures

		Q1–2 2017	Q1–2 2016	Change	Q2 2017	Q2 2016	Change
				%			%
Total premium income[1]	€m	4,957	4,988	–0.6	2,482	2,488	–0.3
Gross premiums written	€m	4,568	4,520	1.1	2,244	2,188	2.6
Share of gross premiums written by ERGO	%	50.6	50.3		54.2	53.3	
Technical result	€m	210	202	3.9	108	119	–9.2
Investment result	€m	2,356	2,803	–15.9	1,020	1,538	–33.7
Operating result	€m	329	524	–37.2	156	346	–54.9
Consolidated result	€m	113	69	64.3	50	55	–8.7

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

Premium

The decline in overall premium income is attributable to lower regular premium volume and reduced income from single-premium business in life insurance. By contrast, gross premiums written were up thanks to higher premium in the Health Germany segment.

In the Life Germany segment, total premium income saw a decline of 4.5% to €1,743m (1,824m) for the first six months, and a fall of 2.6% to €881m (905m) for the second quarter. Gross premiums written were down by 2.2% to €1,371m (1,403m) for the first six months, and amounted to €650m (630m) for the period from April to June. The decrease in premium volume for the first half of the year was due to lower regular premium income owing to the ongoing portfolio reduction. The 8.9% decline in single-premium income was due in part to reduced new business production. Regular-premium new business was just under the level achieved in the same period last year (–1.8%). Overall, we posted a 7.1% decline in new business for the first half of the 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 dropped by 3.4%.

In the Health Germany segment, premium income increased year on year by 2.9% to €2,681m (2,606m) for the first six months of 2017, and by 2.3% to €1,342m (1,311m) for the second quarter. Premium grew by 3.4% in supplementary health insurance and by 2.5% in comprehensive health cover, due in part to premium adjustments as at 1 January and 1 April 2017. In the first half of the year, there was a year-on-year decline in new business totalling 7.8% in comprehensive health insurance and 16.3% in supplementary health insurance.

Total premium for direct business in Germany dropped by 4.2% year on year to €534m (558m) for the period from January to June, with the second quarter accounting for a decrease of 4.6% to €259m (271m). The decline was attributable to reduced life insurance business, mainly on account of lower premium income from the MaxiZins capitalisation product. The sale of this product has in the meantime been discontinued. By contrast, gross premiums written rose by 0.8% to €516m (512m) for the first half of 2017, and by 2.6% to €253m (247m) for the period from April to June. This was due to growth in health insurance. In terms of annual premium equivalent, new business volume for the first six months of 2017 was 23.0% lower compared with the same period last year. ↗

Result
Year on year, the technical result was higher for the first half-year and lower for the second quarter. A significant improvement in the Health Germany segment more than offset the decline in the Life Germany segment. In direct business in Germany, we achieved the same level in the first half of the year as we did for the same period last year. The investment result fell for both the first half-year and second quarter, mainly owing to a lower net balance of derivatives.

The consolidated result for the first half of the year rose mainly because of the absence of special effects that had influenced the Health Germany field of business in the same period last year.

ERGO Property-casualty Germany

Key figures

		Q1–2 2017	Q1–2 2016	Change	Q2 2017	Q2 2016	Change
				%			%
Gross premiums written	€m	1,897	1,865	1.7	657	646	1.8
Share of gross premiums written by ERGO	%	21.0	20.7		15.9	15.7	
Loss ratio	%	61.7	60.5		60.2	58.4	
Expense ratio	%	34.1	35.4		32.5	34.9	
Combined ratio	%	95.8	95.9		92.7	93.3	
Technical result	€m	90	84	7.7	74	69	7.4
Investment result	€m	98	8	>1,000.0	50	23	112.7
Operating result	€m	143	38	277.9	99	72	38.7
Consolidated result	€m	61	–92	–	48	–68	–

Premium
Premium income in the first half-year developed favourably year on year, mainly on account of growth of 11.4% in the other classes of business, including in marine insurance. Fire and property insurance also saw an increase in premium volume (+3.3%), as did legal protection insurance (+1.0%) and motor business (+0.7%). Premium for the first half of 2017 was down by 1.6% in personal accident insurance and by 0.6% in liability business.

Result
The technical result in the ERGO Property-casualty Germany segment was up in the first half-year and second quarter compared with the same periods last year, largely on account of lower costs. Major-loss expenditure for the first six months of 2017 was unspectacular. The investment result increased especially on account of higher gains on disposals and lower write-downs of equities.

The combined ratio for the second quarter was better than in the same period last year. The figure for the first half-year 2017 was somewhat lower, due solely to a reduced expense ratio.

The increased investment result and absence of restructuring expenses were responsible for the improved consolidated result for the first half-year and second quarter of 2017.

ERGO International

Key figures[1]

		Q1–2 2017	Q1–2 2016	Change	Q2 2017	Q2 2016	Change
				%			%
Total premium income[2]	€m	2,707	2,786	–2.8	1,308	1,358	–3.7
Gross premiums written	€m	2,555	2,607	–2.0	1,240	1,272	–2.6
Share of gross premiums written by ERGO	%	28.3	29.0		29.9	31.0	
Loss ratio	%	66.4	65.7		67.5	68.4	
Expense ratio	%	31.1	32.2		31.2	33.1	
Combined ratio	%	97.5	97.9		98.7	101.5	
Technical result	€m	23	1	>1,000.0	–22	–28	22.1
Investment result	€m	176	321	–45.3	102	180	–43.4
Operating result	€m	57	108	–47.1	5	46	–88.1
Consolidated result	€m	22	–6	–	5	–4	–

1 Previous year's figures adjusted owing to a change in the composition of the reporting segments.
2 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.

The figures for the first and second quarter of 2017, and for the relevant quarters of 2016, include international health primary insurance business, which was transferred from Munich Health and integrated into the ERGO International segment of the ERGO field of business as at 1 February 2017.

Premium

With regard to the segment's premium income, property-casualty insurance accounts for around 51%, health for about 27% and life insurance for approximately 22%. Our biggest markets include Poland (accounting for approximately 24% of premium volume), Belgium (around 20%) and Spain (around 15%).

Overall, we posted a decline in gross premium, which was largely attributable to life insurance business. Adjusted to eliminate slightly positive currency translation effects, gross premiums written in the ERGO International segment would have decreased by 2.1% compared with the previous year.

Overall premium income from international life insurance saw a year-on-year decline to €584m (851m) for the first half-year and €277m (431m) for the second quarter. This significant decrease is primarily due to the sale of our Italian business and to developments in Poland and Austria. In terms of the annual premium equivalent, new business in international life insurance was down year on year by 56.1%. In health business, premium income saw positive growth especially in Belgium and Spain, rising by 3.8% to €732m (706m). In international property-casualty business, premium income increased by 13.1% to €1,391m (1,229m) for the period from January to June, and by 15.6% to €709m (614m) for the months of April to June 2017. The increased premium income for the first half of the year mainly resulted from developments in Poland and Greece. Premium development in Poland was particularly gratifying in the second quarter, in part thanks to motor business. In Greece, the business written by AGROTIKI Insurance S.A. (ATE Insurance) had not yet been included in the figures for the previous year; in the first half of 2017, ATE Insurance contributed €42m to premium volume.

Result

There was a year-on-year improvement in the technical result of the ERGO International segment both in the first half of 2017 and in the second quarter. The favourable development for the first half-year was attributable to the absence of one-off effects in Italy, such as had been seen in the same period last year, and price adjustments in Polish property-casualty business. The investment result for the first six months of 2017 and the period from April to June was down on the same period last year, chiefly owing to a lower net balance of derivatives and reduced regular income.

From January to June, we achieved an improvement in the combined ratio in international property-casualty insurance to 97.5%, which is better than our target ratio of around 98%. We saw improvements above all in Poland, where business benefited from price adjustments, and in the Baltic States. In Greece, the combined ratio was largely unchanged. Spanish health business saw a deterioration in the combined ratio following a change in the way premiums are booked. However, in the second quarter the combined ratio improved on the same period last year.

The increased technical result, especially in Poland, and the absence of one-off effects on the other non-operating result were chiefly responsible for the improved consolidated result.

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) 2017

		As at 30.6.2017	From Q1 2017	From Annual Report 2016
Gross premiums written	€bn	48–50	48–50	48–50
Technical result – Life and health reinsurance[1]	€m	400	at least 450	at least 450
Combined ratio – Property-casualty reinsurance	%	97	97	97
Combined ratio – ERGO Property-casualty Germany	%	98	99	99
Combined ratio – ERGO Property-casualty International	%	98	98	98
Return on investment[2]	%	around 3	around 3	around 3
RORAC	%	15	15	15
Consolidated result	€bn	2.0–2.4	2.0–2.4	2.0–2.4

1 Including the result from reinsurance treaties recognised in the non-technical result owing to insufficient risk transfer.
2 Excluding insurance-related investments.

Compared with our forecasts made in the 2016 Annual Report, we anticipate the following developments after the first half-year 2017 with regard to these key figures relevant for Munich Re:

At the start of the year, we forecast a technical result for life and health reinsurance – including the result from reinsurance treaties with insufficient risk transfer – of at least €450m. Owing to lower than expected results in the second quarter – due in part to recapture of a treaty in the USA, which could be followed by further such actions – we now expect a result of around €400m for the full year.

At 1 July 2017, a volume of around €2.2bn, or around 13% of the overall portfolio, was up for renewal in the property-casualty reinsurance segment. About 17% of this volume was from Australia, 15% from Latin America, and another 50% from North America and worldwide business. These renewals again comprised a significant percentage of the highly competitive natural catastrophe business – around 21% of premium worldwide. Here in particular, pressure on prices remained intense, but there were further signs of stabilisation. On balance, we only had to accept a fall in prices of 0.4% across the whole portfolio, and we are pleased with the renewals overall. Premium volume rose to around €2.6bn. We were able to overcompensate for the decline in business due to prices and cycle management by way of generating and expanding profitable business – from new acquisitions and from building on existing client relationships.

In our 2016 Annual Report, we forecast a consolidated result in the range of €150–200m for the ERGO field of business . Owing to the good results in the first half-year, we are now increasing that target range to €200–250m. In the property-casualty Germany segment, we are now improving the original forecast for the combined ratio by one percentage point to 98%.

We are still expecting Munich Re to generate a consolidated result in the order of €2.0–2.4bn.

Our good capitalisation enables us to continue taking selective advantage of opportunities for profitable growth in individual regions and classes of business. We will 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 2018.

Beyond this, the statements relating to opportunities and risks as presented in the 2016 Annual Report apply unchanged.

Condensed interim consolidated financial statements

Consolidated balance sheet
as at 30 June 2017

Assets

			30.6.2017	31.12.2016		Change
	€m	€m	€m	€m	€m	%
A. Intangible assets						
I. Goodwill		2,683		2,817	-134	-4.7
II. Other intangible assets		1,206		1,303	-98	-7.5
			3,889	**4,120**	**-231**	**-5.6**
B. Investments						
I. Land and buildings, including buildings on third-party land		5,083		4,444	639	14.4
II. Investments in affiliated companies, associates and joint ventures		2,028		1,711	317	18.5
Thereof: Associates and joint ventures accounted for using the equity method		1,822		1,565	257	16.4
III. Loans		52,691		53,691	-1,000	-1.9
IV. Other securities						
1. Available for sale	143,476			147,843	-4,367	-3.0
2. At fair value through profit or loss	2,095			2,672	-577	-21.6
		145,571		150,515	-4,944	-3.3
V. Deposits retained on assumed reinsurance		5,377		5,240	137	2.6
VI. Other investments		5,010		3,814	1,195	31.3
			215,760	**219,416**	**-3,656**	**-1.7**
C. Insurance-related investments			**9,593**	**9,558**	**35**	**0.4**
D. Ceded share of technical provisions			**3,734**	**3,669**	**65**	**1.8**
E. Receivables						
I. Current tax receivables		649		623	26	4.2
II. Other receivables		15,824		13,919	1,905	13.7
			16,474	**14,542**	**1,932**	**13.3**
F. Cash at banks, cheques and cash in hand			**3,733**	**3,353**	**380**	**11.3**
G. Deferred acquisition costs						
Gross		9,398		9,634	-236	-2.4
Ceded share		-51		-95	44	46.3
Net			9,347	9,539	-192	-2.0
H. Deferred tax assets			**325**	**328**	**-3**	**-1.1**
I. Other assets			**3,085**	**3,280**	**-195**	**-5.9**
Total assets			**265,940**	**267,805**	**-1,865**	**-0.7**

Equity and liabilities

		30.6.2017	31.12.2016	Veränderung	
	€m	€m	€m	€m	%
A. Equity					
I. Issued capital and capital reserve	7,429		7,417	12	0.2
II. Retained earnings	15,632		14,890	742	5.0
III. Other reserves	5,603		6,628	-1,025	-15.5
IV. Consolidated result attributable to Munich Reinsurance Company equity holders	1,283		2,580	-1,297	-50.3
V. Non-controlling interests	192		269	-78	-28.9
		30,139	**31,785**	**-1,646**	**-5.2**
B. Subordinated liabilities		**2,800**	**4,218**	**-1,419**	**-33.6**
C. Gross technical provisions					
I. Unearned premiums	9,021		8,984	38	0.4
II. Provision for future policy benefits	108,743		108,108	634	0.6
III. Provision for outstanding claims	61,705		61,362	343	0.6
IV. Other technical provisions	18,514		19,026	-512	-2.7
		197,982	**197,480**	**503**	**0.3**
D. Gross technical provisions for unit-linked life insurance		**8,641**	**8,429**	**212**	**2.5**
E. Other provisions		**4,686**	**4,895**	**-209**	**-4.3**
F. Liabilities					
I. Bonds and notes issued	295		324	-28	-8.7
II. Deposits retained on ceded business	778		828	-50	-6.0
III. Current tax liabilities	2,499		2,429	70	2.9
IV. Other liabilities	16,148		15,187	960	6.3
		19,721	**18,768**	**953**	**5.1**
G. Deferred tax liabilities		**1,971**	**2,230**	**-259**	**-11.6**
Total equity and liabilities		**265,940**	**267,805**	**-1,865**	**-0.7**

Consolidated income statement
1 January to 30 June 2017

Items

			Q1–2 2017	Q1–2 2016		Change
	€m	€m	€m	€m	€m	%
Gross premiums written	**24,725**			**24,438**	**287**	**1.2**
1. Earned premiums						
Gross	24,347			23,850	498	2.1
Ceded	–734			–700	–34	–4.9
Net		23,614		23,150	464	2.0
2. Income from technical interest		**3,466**		**3,321**	**145**	**4.4**
3. Expenses for claims and benefits						
Gross	–20,094			–19,320	–774	–4.0
Ceded	407			281	126	44.8
Net		–19,686		–19,039	–648	–3.4
4. Operating expenses						
Gross	–6,097			–6,105	8	0.1
Ceded	160			147	13	9.0
Net		–5,937		–5,958	22	0.4
5. Technical result (1–4)			**1,456**	**1,474**	**–17**	**–1.2**
6. Investment result		**4,040**		**4,322**	**–282**	**–6.5**
Thereof: Income from associates and joint ventures accounted for using the equity method		61		79	–18	–22.6
7. Insurance-related investment result		**168**		**–177**	**346**	**–**
8. Other operating income		**357**		**357**	**1**	**0.2**
9. Other operating expenses		**–448**		**–466**	**18**	**3.9**
10. Deduction of income from technical interest		**–3,466**		**–3,321**	**–145**	**–4.4**
11. Non-technical result (6–10)			**652**	**714**	**–62**	**–8.7**
12. Operating result (5+11)			**2,108**	**2,188**	**–80**	**–3.6**
13. Other non-operating result			**–417**	**–201**	**–215**	**–107.0**
14. Impairment losses on goodwill			**0**	**–9**	**9**	**100.0**
15. Net finance costs			**–106**	**–108**	**2**	**1.7**
16. Taxes on income			**–295**	**–459**	**163**	**35.6**
17. Consolidated result (12–16)			**1,290**	**1,411**	**–121**	**–8.6**
Thereof: Attributable to Munich Reinsurance Company equity holders			1,283	1,404	–121	–8.6
Attributable to non-controlling interests			7	6	1	8.9
			€	€	€	%
Earnings per share			**8.26**	**8.69**	**–0.44**	**–5.0**

Consolidated income statement
1 April to 30 June 2017

Items

			Q2 2017	Q2 2016		Change
	€m	€m	€m	€m	€m	%
Gross premiums written	**11,800**			**11,928**	**-128**	**-1.1**
1. Earned premiums						
Gross	12,145			12,165	-19	-0.2
Ceded	-374			-357	-17	-4.7
Net		11,771		11,808	-36	-0.3
2. Income from technical interest		**1,465**		**1,810**	**-345**	**-19.1**
3. Expenses for claims and benefits						
Gross	-9,796			-10,154	358	3.5
Ceded	288			84	203	240.9
Net		-9,509		-10,070	561	5.6
4. Operating expenses						
Gross	-3,056			-3,107	51	1.7
Ceded	91			89	2	1.8
Net		-2,965		-3,018	53	1.8
5. Technical result (1-4)			**762**	**529**	**233**	**44.1**
6. Investment result		**1,889**		**2,750**	**-861**	**-31.3**
Thereof: Income from associates and joint ventures accounted for using the equity method		24		77	-53	-69.1
7. Insurance-related investment result		**12**		**31**	**-19**	**-60.3**
8. Other operating income		**171**		**175**	**-4**	**-2.4**
9. Other operating expenses		**-213**		**-212**	**-1**	**-0.6**
10. Deduction of income from technical interest		**-1,465**		**-1,810**	**345**	**19.1**
11. Non-technical result (6-10)			**394**	**933**	**-540**	**-57.8**
12. Operating result (5+11)			**1,156**	**1,463**	**-306**	**-20.9**
13. Other non-operating result			**-264**	**-120**	**-144**	**-120.5**
14. Impairment losses on goodwill			**0**	**-9**	**9**	**100.0**
15. Net finance costs			**-52**	**-58**	**5**	**9.2**
16. Taxes on income			**-108**	**-302**	**194**	**64.3**
17. Consolidated result (12-16)			**733**	**974**	**-241**	**-24.8**
Thereof: Attributable to Munich Reinsurance Company equity holders			729	974	-245	-25.1
Attributable to non-controlling interests			3	0	3	>1,000.0
			€	€	€	%
Earnings per share			**4.71**	**6.05**	**-1.34**	**-22.2**

Consolidated income statement
(quarterly breakdown)

Items

	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
	€m	€m	€m	€m	€m	€m
Gross premiums written	**11,800**	**12,925**	**12,070**	**12,344**	**11,928**	**12,511**
1. Earned premiums						
Gross	12,145	12,202	12,524	12,290	12,165	11,685
Ceded	-374	-360	-440	-406	-357	-342
Net	11,771	11,842	12,084	11,884	11,808	11,342
2. Income from technical interest	**1,465**	**2,001**	**1,548**	**1,621**	**1,810**	**1,511**
3. Expenses for claims and benefits						
Gross	-9,796	-10,298	-9,894	-9,953	-10,154	-9,166
Ceded	288	120	161	227	84	197
Net	-9,509	-10,178	-9,733	-9,726	-10,070	-8,969
4. Operating expenses						
Gross	-3,056	-3,041	-3,489	-3,061	-3,107	-2,998
Ceded	91	70	114	99	89	58
Net	-2,965	-2,971	-3,375	-2,962	-3,018	-2,940
5. Technical result (1–4)	**762**	**694**	**525**	**816**	**529**	**945**
6. Investment result	**1,889**	**2,151**	**1,625**	**1,619**	**2,750**	**1,572**
Thereof: Income from associates and joint ventures accounted for using the equity method	24	37	22	20	77	2
7. Insurance-related investment result	**12**	**156**	**267**	**237**	**31**	**-208**
8. Other operating income	**171**	**186**	**234**	**154**	**175**	**181**
9. Other operating expenses	**-213**	**-234**	**-280**	**-192**	**-212**	**-254**
10. Deduction of income from technical interest	**-1,465**	**-2,001**	**-1,548**	**-1,621**	**-1,810**	**-1,511**
11. Non-technical result (6–10)	**394**	**258**	**297**	**198**	**933**	**-219**
12. Operating result (5+11)	**1,156**	**952**	**823**	**1,014**	**1,463**	**726**
13. Other non-operating result	**-264**	**-153**	**-123**	**-112**	**-120**	**-82**
14. Impairment losses on goodwill	**0**	**0**	**-19**	**0**	**-9**	**0**
15. Net finance costs	**-52**	**-54**	**-57**	**-54**	**-58**	**-51**
16. Taxes on income	**-108**	**-188**	**-137**	**-164**	**-302**	**-157**
17. Consolidated result (12–16)	**733**	**557**	**486**	**684**	**974**	**436**
Thereof: Attributable to Munich Reinsurance Company equity holders	729	554	491	685	974	430
Attributable to non-controlling interests	3	4	-5	-1	0	6
	€	€	€	€	€	€
Earnings per share	**4.71**	**3.55**	**3.12**	**4.30**	**6.05**	**2.65**

Statement of recognised income and expense

1 January to 30 June 2017

€m		Q1–2 2017	Q1–2 2016
Consolidated result		**1,290**	**1,411**
Currency translation			
Gains (losses) recognised in equity	–1,069		–388
Recognised in the consolidated income statement	0		0
Unrealised gains and losses on investments			
Gains (losses) recognised in equity	311		2,452
Recognised in the consolidated income statement	–309		–441
Change resulting from equity method measurement			
Gains (losses) recognised in equity	19		–2
Recognised in the consolidated income statement	0		0
Change resulting from cash flow hedges			
Gains (losses) recognised in equity	–1		0
Recognised in the consolidated income statement	0		0
Other changes	3		1
I. Items where income and expenses recognised directly in equity are reallocated to the consolidated income statement	–1,044		1,621
Remeasurements of defined benefit plans	8		–263
Other changes	0		0
II. Items where income and expenses recognised directly in equity are not reallocated to the consolidated income statement	8		–263
Income and expense recognised directly in equity (I + II)		**–1,037**	**1,359**
Total recognised income and expense		**253**	**2,769**
Thereof:			
Attributable to Munich Reinsurance Company equity holders		249	2,771
Attributable to non-controlling interests		4	–2

Statement of recognised income and expense

1 April to 30 June 2017

€m		Q2 2017	Q2 2016
Consolidated result		**733**	**974**
Currency translation			
Gains (losses) recognised in equity	-967		272
Recognised in the consolidated income statement	0		0
Unrealised gains and losses on investments			
Gains (losses) recognised in equity	-68		1,140
Recognised in the consolidated income statement	-151		-524
Change resulting from equity method measurement			
Gains (losses) recognised in equity	11		-17
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		1
I. Items where income and expenses recognised directly in equity are reallocated to the consolidated income statement	-1,174		871
Remeasurements of defined benefit plans	-6		-135
Other changes	0		0
II. Items where income and expenses recognised directly in equity are not reallocated to the consolidated income statement	-6		-135
Income and expense recognised directly in equity (I + II)		**-1,180**	**737**
Total recognised income and expense		**-447**	**1,711**
Thereof:			
Attributable to Munich Reinsurance Company equity holders		-447	1,713
Attributable to non-controlling interests		0	-2

Group statement of changes in equity

€m	Issued capital	Capital reserve
Balance 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 equity measurement method	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
Balance at 30.6.2016	**586**	**6,845**
Balance at 31.12.2016	**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 equity measurement method	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	–10	0
Retirement of own shares	22	0
Balance at 30.6.2017	**585**	**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	Treasury shares	Unrealised gains and losses	Currency translation reserve	Remeasurement gains/losses from cash flow hedges			
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**
15,544	**-654**	**4,441**	**2,195**	**-8**	**2,580**	**269**	**31,785**
1,247	0	0	0	0	-1,247	0	0
0	0	0	0	0	1,283	7	1,290
-9	0	29	-1,065	11	0	-3	-1,037
0	0	0	-1,065	0	0	-4	-1,069
0	0	3	0	0	0	0	3
-19	0	26	0	12	0	0	19
0	0	0	0	-1	0	0	-1
7	0	0	0	0	0	1	8
3	0	0	0	0	0	0	3
-9	0	29	-1,065	11	1,283	4	253
-13	0	0	0	0	0	-81	-95
0	0	0	0	0	0	0	0
0	0	0	0	0	-1,333	0	-1,334
0	-483	0	0	0	0	0	-493
-1,002	1,002	0	0	0	0	0	22
15,767	**-135**	**4,470**	**1,130**	**3**	**1,283**	**192**	**30,139**

Condensed consolidated cash flow statement

1 January to 30 June 2017

€m	Q1-2 2017	Q1-2 2016
Consolidated result	**1,290**	**1,411**
Net change in technical provisions	2,488	622
Change in deferred acquisition costs	192	185
Change in deposits retained and accounts receivable and payable	–1,099	939
Change in other receivables and liabilities	–221	981
Gains and losses on the disposal of investments	–1,127	–912
Change in securities at fair value through profit or loss	125	–1,326
Change in other balance sheet items	–58	437
Other non-cash income and expenses	288	60
I. Cash flows from operating activities	1,878	2,397
Change from losing control of consolidated subsidiaries	0	244
Change from obtaining control of consolidated subsidiaries	–84	–6
Change from the acquisition, sale and maturity of other investments	1,825	878
Change from the acquisition and sale of investments for unit-linked life insurance contracts	58	–51
Other	81	57
II. Cash flows from investing activities	1,880	1,122
Inflows from increases in capital and from non-controlling interests	0	0
Outflows to ownership interests and non-controlling interests	–565	–394
Dividend payments	–1,334	–1,330
Change from other financing activities	–1,405	–138
III. Cash flows from financing activities	–3,304	–1,862
Cash flows for the financial year (I + II + III)	**454**	**1,657**
Effect of exchange-rate changes on cash and cash equivalents	–74	–67
Cash at the beginning of the financial year	3,353	4,041
Cash at 30 June of the financial year	3,733	5,631

Selected notes to the consolidated financial statements

Recognition and measurement

This quarterly report as at 30 June 2017 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 2017. 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 2016 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 2017, the following new or amended IFRSs have to be applied for the first time:

- Amendments to IAS 7 (rev. 1/2016), Disclosure Initiative
- Amendments to IAS 12 (rev. 1/2016), Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to IFRS 12 published as part of the “Annual Improvements to IFRSs 2014–2016 Cycle”, (rev. 12/2016)

These amendments have little or no material effects on Munich Re.

Changes in the consolidated group

On 1 January 2017, via its subsidiary MR RENT-Investment GmbH, Munich, Munich Re acquired 100% of the voting shares in the wind park company Eolus Vindpark Tolv AB, Hässleholm, Sweden, from Eolus Vindpark Elva AB, Hässleholm, Sweden. Eolus Vindpark Tolv AB was renamed Wind Farm Iglasjön AB immediately after the acquisition, and owns wind power plants with a total installed capacity of 26.4 megawatts. The acquisition is part of our infrastructure investment strategy.

On 20 June 2017, Munich Re purchased an additional 10.6% of shares in the segregated fund MEAG European Prime Opportunities (MEAG Euro Pro) for a total €58.6m in cash. As a consequence, Munich Re has increased its stake to 54.8% in total and has gained control over the company. The acquisition was effected by the subsidiaries ERGO Lebensversicherung Aktiengesellschaft, Hamburg, DKV Deutsche Krankenversicherung Aktiengesellschaft, Cologne, ERGO Versicherung Aktiengesellschaft, Düsseldorf, ERGO Pensionskasse AG, Düsseldorf, ERGO DIREKT Lebensversicherung AG, Fürth and Vorsorge Lebensversicherung Aktiengesellschaft, Düsseldorf. MEAG Euro Pro primarily invests in high-quality, office properties with long-term tenancy agreements located largely in western European metropolises. MEAG Euro Pro invests either directly or via participations. With this latest acquisition, the Group’s property investment portfolio has been expanded further. The fair value of Munich Re’s shareholding in MEAG Euro Pro immediately prior to the time of acquisition totalled €244.5m. A revaluation of this shareholding resulted in a positive one-off effect of €1.4m, which was recognised as gains on disposals of interest-bearing securities. The income and expenses included in the consolidated income statement for MEAG Euro Pro for the period between 20 June and the balance sheet date are not material. If the business combination had already been complete on 1 January 2017, MEAG Euro Pro would have contributed income from property of €19.3m and a result of €5.6m to the consolidated result. The IFRS fair values of the assets and liabilities at the time of acquisition are as follows:

IFRS fair values of the assets and liabilities at the acquisition date

€m	
Purchase price	**59**
Assets acquired	**930**
Property	661
Other investments	169
Cash at bank, cheques and cash in hand	52
Other assets[1]	48
Liabilities assumed	**376**
Other liabilities	325
Other liability items	51
Contingent liabilities recognised pursuant to IFRS 3.23	0

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

On 22 June 2017, via its subsidiary MR Jordan LP, Dover, Delaware, USA, Munich Re acquired 21% of shares in 1818 Acquisition LLC, Dover, Delaware, USA, which is the property management and holding company of a US car park owner and operator included as an associate in the consolidated financial statements. The acquisition is part of our infrastructure investment strategy.

On 30 June 2017, via its subsidiary Munich-American Holding Corporation, Wilmington, Delaware, USA, Munich Re acquired 100% of the voting shares in Allianz Life and Annuity Company, Minneapolis, Minnesota, USA. ALAC is licensed in 46 US states and the District of Columbia to offer life and annuity products. The acquisition creates additional flexibility in structuring our US life reinsurance business.

Foreign currency translation

Munich Re's presentation currency is the euro (€). The exchange rates of the most important currencies for our business are shown in the "Business environment" section of the interim management report.

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.

The Munich Health field of business was disbanded as of 1 February 2017. The reinsurance part of Munich Health was merged with the reinsurance life segment, and the health primary insurance part was transferred to ERGO International. Internal management was adapted accordingly. The reinsurance life segment was renamed life and health reinsurance. The corresponding items in the segment reporting and the notes to the financial statements have been adjusted for the previous year.

We have identified five segments to be reported:

- Life and health reinsurance: global life and health 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)

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.

The IFRS result contributions are the basis of planning and strategy in all segments, hence the IFRS segment result is the uniform assessment basis for internal control.

Income and expenses from intra-Group loans are shown unconsolidated under “Other non-operating result, impairment losses of goodwill and net finance costs” for the segments concerned. These are otherwise shown after elimination of intra-Group transactions and shareholdings.

Segment assets[1]

	Reinsurance			
	Life and health		Property-casualty	
€m	30.6.2017	31.12.2016	30.6.2017	31.12.2016
A. Intangible assets	**140**	**145**	**2,346**	**2,550**
B. Investments				
I. Land and buildings, including buildings on third-party land	300	291	1,522	1,683
II. Investments in affiliated companies, associates and joint ventures	46	42	1,024	735
Thereof: Associates and joint ventures accounted for using the equity method	28	29	964	701
III. Loans	138	127	610	629
IV. Other securities				
1. Available for sale	20,894	21,086	53,014	57,889
2. At fair value through profit or loss	93	59	454	340
	20,987	21,145	53,468	58,229
V. Deposits retained on assumed reinsurance	3,868	3,749	1,452	1,436
VI. Other investments	446	416	1,723	1,704
	25,786	**25,770**	**59,800**	**64,416**
C. Insurance-related investments	**885**	**957**	**92**	**148**
D. Ceded share of technical provisions	**898**	**923**	**2,082**	**2,004**
E. Other segment assets	**8,952**	**9,024**	**10,161**	**8,770**
Total segment assets	**36,661**	**36,819**	**74,480**	**77,888**

1 Previous year's figures adjusted owing to a change in the composition of the reporting segments.

Segment equity and liabilities[1]

	Reinsurance			
	Life and health		Property-casualty	
€m	30.6.2017	31.12.2016	30.6.2017	31.12.2016
A. Subordinated liabilities	**787**	**995**	**2,000**	**3,198**
B. Gross technical provisions				
I. Unearned premiums	270	372	5,904	6,265
II. Provision for future policy benefits	10,721	11,221	26	26
III. Provision for outstanding claims	9,083	9,197	42,694	42,355
IV. Other technical provisions	304	317	384	243
	20,378	**21,106**	**49,007**	**48,888**
C. Gross technical provisions for unit-linked life insurance contracts	**0**	**0**	**0**	**0**
D. Other provisions	**211**	**235**	**564**	**674**
E. Other segment liabilities	**6,796**	**7,498**	**8,077**	**7,949**
Total segment liabilities	**28,172**	**29,835**	**59,647**	**60,709**

1 Previous year's figures adjusted owing to a change in the composition of the reporting segments.

					ERGO		Total	
	Life and Health Germany		Property-casualty Germany		International			
	30.6.2017	31.12.2016	30.6.2017	31.12.2016	30.6.2017	31.12.2016	30.6.2017	31.12.2016
	198	**206**	**955**	**963**	**249**	**256**	**3,889**	**4,120**
	2,940	2,200	202	154	120	117	5,083	4,444
	311	299	61	54	586	582	2,028	1,711
	276	262	19	23	535	550	1,822	1,565
	50,292	51,392	1,471	1,369	179	174	52,691	53,691
	50,184	49,726	4,517	4,515	14,867	14,627	143,476	147,843
	1,007	1,710	36	21	505	542	2,095	2,672
	51,191	51,436	4,553	4,536	15,372	15,169	145,571	150,515
	36	34	21	21	0	0	5,377	5,240
	2,305	1,135	326	314	209	245	5,010	3,814
	107,074	**106,495**	**6,634**	**6,448**	**16,466**	**16,286**	**215,760**	**219,416**
	5,108	**4,951**	**0**	**0**	**3,509**	**3,503**	**9,593**	**9,558**
	16	**17**	**103**	**128**	**635**	**597**	**3,734**	**3,669**
	8,789	**8,041**	**1,637**	**1,421**	**3,425**	**3,787**	**32,964**	**31,042**
	121,185	**119,709**	**9,330**	**8,960**	**24,283**	**24,428**	**265,940**	**267,805**

					ERGO		Total	
	Life and Health Germany		Property-casualty Germany		International			
	30.6.2017	31.12.2016	30.6.2017	31.12.2016	30.6.2017	31.12.2016	30.6.2017	31.12.2016
	0	**0**	**0**	**0**	**13**	**25**	**2,800**	**4,218**
	234	204	760	465	1,855	1,677	9,021	8,984
	87,735	86,676	441	440	9,820	9,745	108,743	108,108
	2,822	2,841	4,291	4,254	2,815	2,715	61,705	61,362
	17,208	17,749	83	96	535	621	18,514	19,026
	107,999	**107,471**	**5,574**	**5,255**	**15,024**	**14,759**	**197,982**	**197,480**
	5,506	**5,341**	**0**	**0**	**3,135**	**3,088**	**8,641**	**8,429**
	1,749	**1,920**	**1,017**	**983**	**1,146**	**1,083**	**4,686**	**4,895**
	4,972	**3,542**	**484**	**449**	**1,364**	**1,561**	**21,692**	**20,998**
	120,226	**118,273**	**7,075**	**6,687**	**20,681**	**20,515**	**235,801**	**236,020**
					Equity		**30,139**	**31,785**
					Total equity and liabilities		**265,940**	**267,805**

Segment income statement 1.1.–30.6.2017

	Reinsurance			
	Life and health		Property-casualty	
€m	Q1–2 2017	Q1–2 2016	Q1–2 2017	Q1–2 2016
Gross premiums written	**6,924**	**6,329**	**8,781**	**9,117**
1. Net earned premiums	6,833	6,184	8,411	8,535
2. Income from technical interest	313	274	533	561
3. Net expenses for claims and benefits	–5,678	–5,059	–5,246	–5,351
4. Net operating expenses	–1,260	–1,255	–2,773	–2,700
5. Technical result (1– 4)	**209**	**143**	**925**	**1,044**
6. Investment result	453	335	957	855
7. Insurance-related investment result	12	1	–93	37
8. Other operating result	8	9	–45	–72
9. Deduction of income from technical interest	–313	–274	–533	–561
10. Non-technical result (6– 9)	**159**	**71**	**286**	**260**
11. Operating result (5+10)	**368**	**214**	**1,211**	**1,305**
12. Other non-operating result, net finance costs and impairment losses of goodwill	–42	59	–176	201
13. Taxes on income	–89	–36	–177	–302
14. Consolidated result (11–13)	**237**	**237**	**858**	**1,203**

Segment income statement 1.4.–30.6.2017

	Reinsurance			
	Life and health		Property-casualty	
€m	Q2 2017	Q2 2016	Q2 2017	Q2 2016
Gross premiums written	**3,436**	**3,233**	**4,223**	**4,589**
1. Net earned premiums	3,351	3,167	4,206	4,425
2. Income from technical interest	151	137	268	280
3. Net expenses for claims and benefits	–2,847	–2,616	–2,525	–3,032
4. Net operating expenses	–590	–608	–1,411	–1,384
5. Technical result (1– 4)	**64**	**80**	**537**	**289**
6. Investment result	231	255	487	754
7. Insurance-related investment result	24	6	–28	53
8. Other operating result	8	8	–9	–29
9. Deduction of income from technical interest	–151	–137	–268	–280
10. Non-technical result (6– 9)	**112**	**132**	**182**	**498**
11. Operating result (5+10)	**176**	**212**	**720**	**788**
12. Other non-operating result, net finance costs and impairment losses of goodwill	–26	67	–148	242
13. Taxes on income	–39	–65	–55	–251
14. Consolidated result (11–13)	**112**	**213**	**517**	**778**

						ERGO		Total
		Life and Health Germany		Property-casualty Germany		International		
	Q1–2 2017	Q1–2 2016	Q1–2 2017	Q1–2 2016	Q1–2 2017	Q1–2 2016	Q1–2 2017	Q1–2 2016
	4,568	**4,520**	**1,897**	**1,865**	**2,555**	**2,607**	**24,725**	**24,438**
	4,529	4,478	1,571	1,578	2,270	2,376	23,614	23,150
	2,352	2,282	38	37	231	167	3,466	3,321
	–5,987	–5,826	–984	–973	–1,792	–1,829	–19,686	–19,039
	–683	–731	–535	–558	–686	–714	–5,937	–5,958
	210	**202**	**90**	**84**	**23**	**1**	**1,456**	**1,474**
	2,356	2,803	98	8	176	321	4,040	4,322
	140	–168	0	0	109	–48	168	–177
	–26	–31	–7	–17	–20	2	–90	–109
	–2,352	–2,282	–38	–37	–231	–167	–3,466	–3,321
	119	**322**	**53**	**–46**	**34**	**107**	**652**	**714**
	329	**524**	**143**	**38**	**57**	**108**	**2,108**	**2,188**
	–174	–309	–74	–165	–58	–105	–523	–319
	–43	–146	–9	35	22	–9	–295	–459
	113	**69**	**61**	**–92**	**22**	**–6**	**1,290**	**1,411**

						ERGO		Total
		Life and Health Germany		Property-casualty Germany		International		
	Q2 2017	Q2 2016	Q2 2017	Q2 2016	Q2 2017	Q2 2016	Q2 2017	Q2 2016
	2,244	**2,188**	**657**	**646**	**1,240**	**1,272**	**11,800**	**11,928**
	2,253	2,196	818	817	1,143	1,203	11,771	11,808
	940	1,277	19	19	87	98	1,465	1,810
	–2,738	–2,974	–497	–481	–901	–967	–9,509	–10,070
	–348	–379	–266	–285	–351	–361	–2,965	–3,018
	108	**119**	**74**	**69**	**–22**	**–28**	**762**	**529**
	1,020	1,538	50	23	102	180	1,889	2,750
	–10	–19	0	0	26	–10	12	31
	–22	–15	–6	–2	–14	1	–43	–37
	–940	–1,277	–19	–19	–87	–98	–1,465	–1,810
	48	**227**	**25**	**2**	**27**	**74**	**394**	**933**
	156	**346**	**99**	**72**	**5**	**46**	**1,156**	**1,463**
	–85	–276	–33	–169	–25	–50	–316	–186
	–21	–15	–18	30	25	–1	–108	–302
	50	**55**	**48**	**–68**	**5**	**–4**	**733**	**974**

Notes on determining the combined ratio[1]

		Reinsurance				ERGO
			Property-casualty		Property-casualty	
	Property-casualty		Germany		International[2]	
€m	Q1-2 2017	Q1-2 2016	Q1-2 2017	Q1-2 2016	Q1-2 2017	Q1-2 2016
Net earned premiums	8,411	8,535	1,570	1,578	1,579	1,464
Net expenses for claims and benefits	-5,246	-5,351	-983	-973	-1,048	-972
Net operating expenses	-2,773	-2,700	-535	-558	-492	-472
Loss-ratio calculation adjustments	-13	3	14	18	-1	10
Fire brigade tax and other expenses	9	6	8	8	13	12
Expenses for premium refunds[3]	0	0	9	8	2	1
Other underwriting income	-21	-3	-3	-2	-11	-6
Change in remaining technical provisions provisions and other underwriting expenses[3]	0	0	-1	4	-5	3
Adjusted net expenses for claims and benefits	**-5,258**	**-5,348**	**-969**	**-955**	**-1,049**	**-962**
Loss ratio in %	62.5	62.7	61.7	60.5	66.4	65.7
Combined ratio in %	95.5	94.3	95.8	95.9	97.5	97.9

1 Information on the combined ratio is provided in the 2016 Annual Report under "Important tools of corporate management".
2 Excluding life insurance business and health insurance conducted like life insurance.
3 Adjustment only for ERGO Property-casualty Germany and Property-casualty International.

Non-current assets by country[1]

€m	30.6.2017	31.12.2016
Germany	6,854	6,900
USA	2,577	2,811
UK	567	438
France	395	198
Sweden	283	256
Malta	253	278
Austria	212	223
Italy	202	176
Poland	195	190
Netherlands	178	132
Spain	140	97
Belgium	133	28
Switzerland	97	100
Portugal	71	58
Greece	49	55
Others	265	199
Total	**12,473**	**12,140**

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 segment[1]

€m	Q1-2 2017	Q1-2 2016
Reinsurance life and health	27	42
Reinsurance property-casualty	77	146
ERGO Life and Health Germany	672	99
ERGO Property-casualty Germany	61	20
ERGO International	26	21
Total	**862**	**327**

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.

Other segment disclosures

				Reinsurance
		Life and health		Property-casualty
€m	Q1-2 2017	Q1-2 2016	Q1-2 2017	Q1-2 2016
Interest income	369	325	572	581
Interest expense	-7	-5	-6	-16
Other operating income	60	56	140	128
Other operating expenses	-52	-47	-185	-200
Income from associates and joint ventures accounted for using the equity method	0	0	27	56

Gross premiums written

€m	Q1–2 2017	Q2 2017	Q1–2 2016	Q2 2016
Europe	13,160	6,098	13,325	6,303
North America	7,826	3,811	7,459	3,796
Asia and Australasia	2,243	1,150	2,413	1,252
Africa, Middle East	855	419	665	318
Latin America	641	322	577	260
Total	**24,725**	**11,800**	**24,438**	**11,928**

						ERGO		Total
		Life and Health Germany		Property-casualty Germany		International		
	Q1–2 2017	Q1–2 2016	Q1–2 2017	Q1–2 2016	Q1–2 2017	Q1–2 2016	Q1–2 2017	Q1–2 2016
	1,495	1,601	43	52	177	253	2,657	2,812
	–18	–18	–4	–5	–7	–6	–41	–49
	45	47	37	35	75	92	357	357
	–71	–78	–44	–51	–95	–90	–448	–466
	25	18	2	1	7	4	61	79

Notes to the consolidated balance sheet

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

Intangible assets

Development of intangible assets

		Goodwill		Other intangible assets		Total
€m	Q1–2 2017	Q1–2 2016	Q1–2 2017	Q1–2 2016	Q1–2 2017	Q1–2 2016
Gross carrying amount at 31 Dec. previous year	4,358	4,303	4,277	4,189	8,635	8,492
Accumulated amortisation and impairment losses at 31 Dec. previous year	–1,541	–1,513	–2,974	–3,018	–4,515	–4,531
Carrying amount at 31 Dec. previous year	2,817	2,790	1,303	1,171	4,120	3,961
Currency translation differences	–135	–44	–38	–26	–173	–70
Additions	1	0	48	41	49	41
Disposals	0	0	–4	0	–4	0
Reclassifications	0	0	0	0	0	0
Impairment losses reversed	0	0	0	0	0	0
Impairment losses	0	–9	–104	–99	–104	–108
Carrying amount at 30 June financial year	**2,683**	**2,737**	**1,206**	**1,089**	**3,889**	**3,826**
Accumulated amortisation and impairment losses at 30 June financial year	–1,541	–1,522	–3,037	–2,833	–4,578	–4,355
Gross carrying amount at 30 June financial year	4,224	4,259	4,242	3,921	8,466	8,180

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 investments and other items recognised at fair value are allocated to one of the valuation hierarchy levels of IFRS 13, which 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 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 models used to measure the fair values of our investments when market prices are not available.

Valuation techniques for financial instruments

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	Pricing method	Parameters	Pricing model
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	OIS/swap curve	Present-value method
Swaptions/interest-rate guarantee	Theoretical price	At-the-money volatility index and skew OIS/skew swap curve	Bachelier/ Normal Black
Interest-rate currency swaps	Theoretical price	Swap curve Currency spot rates Money-market interest-rate curve	Present-value method
Inflation swaps	Theoretical price	Zero-coupon inflation swap rates OIS curve	Present-value method
Bond forwards (forward transactions)	Theoretical price	Listing of underlying Swap curve	Present-value method
Currency risks			
Currency options	Theoretical price	Volatility skew Currency spot rates Money-market interest-rate curve	Garman-Kohlhagen (European)
Currency forwards	Theoretical price	Currency spot rates Money-market interest-rate curve, CCY spreads	Present-value method
Other transactions			
Insurance derivatives (excluding variable annuities)	Theoretical price	Fair 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
Catastrophe swaps	Theoretical price	Fair values of catastrophe bonds Interest-rate curve	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 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
CMS floaters with variable cap	Theoretical price	OIS/swap interest-rate curve Issuer-specific spreads Volatility matrix and skews	Replication model (Hagan)
Inverse CMS floaters	Theoretical price	OIS/swap interest-rate curve Issuer-specific spreads Volatility matrix and skews	Replication model (Hagan)
CMS steepeners	Theoretical price	OIS/swap interest-rate curve Issuer-specific spreads Volatility matrix and skews Correlation matrix	Replication model (Hagan)
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 index and skew Swap curve Money-market interest-rate curve Sector-, rating- or issuer-specific yield curve	Bachelier/ Normal Black, Present-value method
FIS loans against borrower's note	Theoretical price	At-the-money volatility index and skew Swap curve Money-market interest-rate curve Sector-, rating- or issuer-specific yield curve	Bachelier/ Normal Black, Present-value method
Swaption notes	Theoretical price	At-the-money volatility index and skew Swap curve Money-market interest-rate curve Sector-, rating- or issuer-specific yield rate curve	Bachelier/ Normal Black, Present-value method

Funds	Pricing method	Parameters	Pricing model
Real estate funds	–	–	Net asset value
Alternative investment funds (e.g. private equity, infrastructure, forestry)	–	–	Net asset value

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

Insurance-linked derivatives (excluding variable annuities) are allocated to Level 3 of the fair value hierarchy. The derivative components of catastrophe bonds are measured 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, the present-value method on the basis of current interest-rate curves and historical event data is used. Due to the low volume involved, the effects of alternative inputs and assumptions are immaterial.

The inputs requiring consideration in the valuation of variable annuities are derived either 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 50%, 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 inputs is modelled by correlation matrices. 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 commercial mortgage-backed securities and collateralised loan obligations). In the case of external fund units, market quotes are not available on a regular basis; rather, net asset values (NAVs) are provided by the asset managers. With regard to the NAVs, the quality of the market quotes available from market data providers is insufficient, so we use broker valuations. With these investments, we thus do not perform our own valuations using inputs that are not based on observable market data. We regularly subject the valuations supplied to plausibility tests on the basis of comparable investments.

At 30 June 2017, around 12% of the investments measured at fair value were allocated to Level 1 of the fair value hierarchy, 84% to Level 2 and 4% to Level 3.

As part of the review process in the second quarter, we examined the level allocation of certain investment funds. No changes to level allocation were made.

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

				30.6.2017
€m	Level 1	Level 2	Level 3	Total
Investments in affiliated companies measured at fair value	0	0	190	190
Investments in associates and joint ventures measured at fair value	0	0	16	16
Other securities available for sale				
Fixed-interest	292	124,620	2,509	127,420
Non-fixed-interest	12,256	1,208	2,591	16,056
Other securities at fair value through profit or loss				
Held for trading, and hedging derivatives[1]	236	1,515	0	1,752
Designated as at fair value through profit or loss	182	189	2	374
Other investments	0	10	37	47
Insurance-related investments	5,982	3,354	258	9,593
Total	**18,948**	**130,896**	**5,603**	**155,447**

→

€m	Level 1	Level 2	Level 3	31.12.2016 Total
Investments in affiliated companies measured at fair value	0	0	138	138
Investments in associates and joint ventures measured at fair value	0	0	8	8
Other securities available for sale				
Fixed-interest	1,287	128,048	2,683	132,018
Non-fixed-interest	11,806	1,206	2,814	15,826
Other securities at fair value through profit or loss				
Held for trading, and hedging derivatives[1]	157	2,180	0	2,337
Designated as at fair value through profit or loss	222	178	2	402
Other investments	0	10	37	47
Insurance-related investments	5,834	3,447	277	9,558
Total	**19,306**	**135,069**	**5,959**	**160,334**

1 Including hedging derivatives of €31m (68m) accounted for under "other assets".

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

	Investments in affiliated companies measured at fair value		Investments in associates and joint ventures measured at fair value	
€m	Q1–2 2017	Q1–2 2016	Q1–2 2017	Q1–2 2016
Carrying amount at 31 Dec. previous year	138	145	8	8
Gains and losses	-9	-2	0	0
Gains (losses) recognised in the income statement	-7	0	0	2
Gains (losses) recognised in equity	-3	-2	0	-2
Acquisitions	68	2	8	0
Disposals	-2	-8	0	-2
Transfer to Level 3	1	1	0	0
Transfer out of Level 3	-6	0	0	0
Change in the fair value of derivatives	0	0	0	0
Carrying amount at 30 June financial year	**190**	**139**	**16**	**6**
Gains (losses) recognised in the income statement that are attributable to investments shown at 30 June financial year	-7	0	0	0

Continued on next page

	Fixed-interest		Other securities available for sale Non-fixed-interest	
€m	Q1–2 2017	Q1–2 2016	Q1–2 2017	Q1–2 2016
Carrying amount at 31 Dec. previous year	2,683	2,160	2,814	2,803
Gains and losses	–80	–11	–15	–58
Gains (losses) recognised in the income statement	57	5	2	–17
Gains (losses) recognised in equity	–138	–16	–17	–41
Acquisitions	933	343	223	204
Disposals	–1,027	–272	–457	–188
Transfer to Level 3	0	61	27	15
Transfer out of Level 3	0	–11	0	0
Change in the fair value of derivatives	0	0	0	0
Carrying amount at 30 June financial year	**2,509**	**2,269**	**2,591**	**2,776**
Gains (losses) recognised in the income statement that are attributable to investments shown at 30 June financial year	58	5	–5	–17

	Held for trading, and hedging derivatives		Other investments	
€m	Q1–2 2017	Q1–2 2016	Q1–2 2017	Q1–2 2016
Carrying amount at 31 Dec. previous year	2	0	37	30
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	0	1	0	0
Transfer out of Level 3	0	0	0	0
Change in the fair value of derivatives	0	0	0	0
Carrying amount at 30 June financial year	**2**	**1**	**37**	**30**
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	
€m	Q1–2 2017	Q1–2 2016	Q1–2 2017	Q1–2 2016
Carrying amount at 31 Dec. previous year	277	1,052	5,959	6,198
Gains and losses	–42	4	–147	–66
Gains (losses) recognised in the income statement	–34	4	18	–4
Gains (losses) recognised in equity	–7	–1	–166	–62
Acquisitions	47	0	1,278	549
Disposals	–32	2	–1,518	–468
Transfer to Level 3	0	0	29	77
Transfer out of Level 3	0	–874	–6	–885
Change in the fair value of derivatives	9	0	9	0
Carrying amount at 30 June financial year	**258**	**184**	**5,603**	**5,404**
Gains (losses) recognised in the income statement that are attributable to investments shown at 30 June financial year	–14	16	32	4

Further explanatory information on investments can be found in the section of the interim management report "Business performance of the Group and overview of investment performance".

Equity

Number of shares in circulation and number of treasury shares

	30.6.2017	31.12.2016
Number of shares in circulation	154,248,513	156,902,293
Number of treasury shares	779,395	4,151,604
Total	**155,027,908**	**161,053,897**

Subordinated liabilities

Breakdown of subordinated liabilities

€m	A.M. Best	Fitch	Moody's	S&P	30.6.2017	31.12.2016
Munich Reinsurance Company, Munich, 6.25% until 2022, thereafter floating, €900m, Bonds 2012/2042	a	A	–	A	896	896
Munich Reinsurance Company, Munich, 6.625% until 2022, thereafter floating, £450m, Bonds 2012/2042	a+	A	–	A	511	526
Munich Reinsurance Company, Munich, 6.00% until 2021, thereafter floating, €1,000m, Bonds 2011/2041	a	A	–	A	995	994
Munich Reinsurance Company, Munich, 5.767% until 2017, thereafter floating, €1,349m[1], Bonds 2007/perpetual	–	–	–	–	0	1,380
Munich Reinsurance Company, Munich, 7.625% until 2018, thereafter floating, £300m, Bonds 2003/2028	a+	A+	A2 (hyb)	A	341	351
ERGO Versicherung Aktiengesellschaft, Vienna, secondary market yield on federal government bonds (Austria) +70 BP, €12m[2], Registered bonds 2001/perpetual	–	–	–	–	6	12
ERGO Versicherung Aktiengesellschaft, Vienna, secondary market yield on federal government bonds (Austria) +70 BP, €13m[3], Registered bonds 1998/perpetual	–	–	–	–	7	13
HSB Group Inc., Delaware, LIBOR +91 BP, US$ 76m, Bonds 1997/2027	–	–	–	–	44	47
Total					**2,800**	**4,218**

1 In the second quarter 2017, the issuer redeemed bonds with a nominal value of €1,349m.
2 In the first quarter 2017, the issuer redeemed bonds with a nominal value of €6m.
3 In the first quarter 2017, the issuer redeemed bonds with a nominal value of €7m.

The fair value of the subordinated liabilities at the balance sheet date amounted to €3,345m (4,725m). For the 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 inputs.

Liabilities

Breakdown of bonds and notes issued

€m	A.M. Best	Fitch	Moody's	S&P	30.6.2017	31.12.2016
Munich Re America Corporation, Wilmington, 7.45%, US$ 342m, Senior Notes 1996/2026[1]	a-	A+	A2	A-	295	324
Total					**295**	**324**

1 In the second quarter 2017, the issuer redeemed bonds with a nominal value of US$ 4m.

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 €373m (410m). ↗

The following table shows the allocation of financial liabilities to levels of the fair value hierarchy.

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

				30.6.2017				31.12.2016
€m	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Other liabilities								
Derivatives	65	1,003	465	1,532	104	1,163	545	1,811

Only derivatives with a negative fair value are currently recognised at fair value. Of these, we allocate the insurance derivatives 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

	Other liabilities at fair value through profit or loss	
€m	Q1–2 2017	Q1–2 2016
Carrying amount at 31 Dec. previous year	545	413
Gains and losses	73	-116
Gains (losses) recognised in the income statement	56	-117
Gains (losses) recognised in equity	18	1
Acquisitions	70	68
Disposals	-85	-62
Transfer to Level 3	0	8
Transfer out of Level 3	0	0
Change in the fair value of derivatives	9	0
Carrying amount at 30 June financial year	**465**	**542**
Gains (losses) recognised in the income statement that are attributable to liabilities shown at 30 June financial year	80	-132

Notes to the consolidated income statement

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

Premiums

€m	Q1–2 2017	Q2 2017	Q1–2 2016	Q2 2016
Gross premiums written	24,725	11,800	24,438	11,928
Change in gross unearned premiums	–378	345	–589	237
Gross earned premiums	**24,347**	**12,145**	**23,850**	**12,165**
Ceded premiums written	–802	–381	–798	–351
Change in unearned premiums – Ceded share	68	7	98	–6
Earned premiums ceded	**–734**	**–374**	**–700**	**–357**
Net earned premiums	**23,614**	**11,771**	**23,150**	**11,808**

Expenses for claims and benefits

€m	Q1–2 2017	Q2 2017	Q1–2 2016	Q2 2016
Gross				
Claims and benefits paid	–15,659	–7,619	–17,231	–9,386
Changes in technical provisions				
Provision for future policy benefits	–548	–174	–30	–54
Provision for outstanding claims	–2,664	–1,435	–770	18
Provision for premium refunds	–1,114	–490	–1,210	–674
Other technical result	–108	–77	–79	–57
Gross expenses for claims and benefits	**–20,094**	**–9,796**	**–19,320**	**–10,154**
Ceded share				
Claims and benefits paid	469	237	377	169
Changes in technical provisions				
Provision for future policy benefits	–16	6	17	15
Provision for outstanding claims	–38	49	–69	–90
Provision for premium refunds	1	–1	0	0
Other technical result	–9	–4	–44	–9
Expenses for claims and benefits – Ceded share	**407**	**288**	**281**	**84**
Net				
Claims and benefits paid	–15,189	–7,383	–16,855	–9,217
Changes in technical provisions				
Provision for future policy benefits	–563	–168	–13	–40
Provision for outstanding claims	–2,702	–1,386	–838	–72
Provision for premium refunds	–1,114	–491	–1,210	–674
Other technical result	–118	–81	–123	–67
Net expenses for claims and benefits	**–19,686**	**–9,509**	**–19,039**	**–10,070**

Operating expenses

€m	Q1–2 2017	Q2 2017	Q1–2 2016	Q2 2016
Acquisition costs, profit commission and reinsurance commission paid	–4,496	–2,023	–4,541	–2,248
Administrative expenses	–1,489	–728	–1,482	–736
Change in deferred acquisition costs and contingent commissions, amortisation and impairment losses of acquired insurance portfolios	–111	–305	–83	–124
Gross operating expenses	**–6,097**	**–3,056**	**–6,105**	**–3,107**
Ceded share of acquisition costs, profit commission and reinsurance commission paid	108	53	151	92
Ceded share of change in deferred acquisition costs and contingent commissions	52	38	–4	–3
Operating expenses – Ceded share	**160**	**91**	**147**	**89**
Net operating expenses	**–5,937**	**–2,965**	**–5,958**	**–3,018**

Investment result by type of investment (before deduction of income from technical interest)

€m	Q1–2 2017	Q2 2017	Q1–2 2016	Q2 2016
Land and buildings, including buildings on third-party land	**155**	**81**	**178**	**91**
Investments in affiliated companies	**–3**	**7**	**–147**	**–135**
Investments in associates and joint ventures	**61**	**24**	**82**	**77**
Loans	**1,688**	**520**	**1,469**	**825**
Other securities available for sale				
Fixed-interest	1,686	888	2,283	1,455
Non-fixed-interest	933	497	251	296
Other securities at fair value through profit or loss				
Held for trading				
Fixed-interest	0	0	0	0
Non-fixed-interest	4	1	1	1
Derivatives	–393	–62	310	205
Designated as at fair value through profit or loss				
Fixed-interest	–4	0	13	5
Non-fixed-interest	20	7	–17	–4
Deposits retained on assumed reinsurance, and other investments	**143**	**50**	**146**	**62**
Expenses for the management of investments, other expenses	**–250**	**–125**	**–247**	**–128**
Total	**4,040**	**1,889**	**4,322**	**2,750**

Result from insurance-related investments

€m	Q1–2 2017	Q2 2017	Q1–2 2016	Q2 2016
Investments for unit-linked life insurance contracts	246	15	–206	–25
Other insurance-related investments	–78	–3	29	56
Total	**168**	**12**	**–177**	**31**

Other operating result

€m	Q1–2 2017	Q2 2017	Q1–2 2016	Q2 2016
Other operating income	357	171	357	175
Thereof:				
Interest and similar income	51	17	42	19
Write-ups of other operating assets	5	3	4	2
Other operating expenses	–448	–213	–466	–212
Thereof:				
Interest and similar charges	–36	–12	–43	–19
Write-downs of other operating assets	–16	–3	–22	–10

Other operating income for the first six months mainly comprises income of €257m (254m) from services rendered, interest income of €30m (17m), income of €18m (29m) from the release/reduction of miscellaneous provisions and provisions for bad and doubtful debts, and income of €13m (14m) from owner-occupied property, some of which is also leased out.

In addition to expenses of €208m (203m) for services rendered, other operating expenses chiefly include interest charges of €42m (40m) and other tax of €76m (63m). They also contain expenses of €6m (6m) for owner-occupied property, some of which is also leased out.

The other operating result includes the result from reinsurance treaties with insufficient risk transfer totalling €27m (21m), of which €26m (21m) is derived from the life and health reinsurance segment.

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

€m	Q1–2 2017	Q2 2017	Q1–2 2016	Q2 2016
Other non-operating income	–417	–264	–201	–120
Impairment losses on goodwill	0	0	–9	–9
Net finance costs	–106	–52	–108	–58

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 –€219m (320m) and restructuring expenses of €10m (400m).

Other information

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 2017 totalled 20,317 (21,077) in Germany and 22,840 (22,351) in other countries. ↗

Breakdown of number of staff

	30.6.2017	31.12.2016
Reinsurance	12,389	12,375
ERGO	30,768	31,053
Total	**43,157**	**43,428**

Contingent liabilities, other financial commitments
In comparison with the situation at 31 December 2016, 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.

Earnings per share

		Q1–2 2017	Q2 2017	Q1–2 2016	Q2 2016
Consolidated result attributable to Munich Reinsurance Company equity holders	€m	1,283	729	1,404	974
Weighted average number of outstanding shares		155,411,067	154,904,518	161,528,918	161,007,852
Earnings per share	€	8.26	4.71	8.69	6.05

Events after the balance sheet date
No events of material significance have occurred since the balance sheet date.

Drawn up and released for publication,
Munich, 8 August 2017.

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 2017 to 30 June 2017, 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, 8 August 2017

KPMG Bayerische Treuhandgesellschaft
Aktiengesellschaft Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Dr. Ellenbürger	**Voß**
Wirtschaftsprüfer	Wirtschaftsprüferin
(Certified public accountant)	(Certified public accountant)

Responsibility statement

"To the best of our knowledge, and in accordance with the applicable reporting princples 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 2017

Supervisory Board

Dr. Bernd Pischetsrieder
(Chairman)

Board of Management

Dr. Joachim Wenning
(Chairman)
Giuseppina Albo
Dr. Thomas Blunck
Dr. Doris Höpke
Dr. Torsten Jeworrek
Hermann Pohlchristoph (since 27 April 2017)
Dr. Markus Rieß
Dr. Peter Röder
Dr. Jörg Schneider

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Important dates 2017

9 November 2017
Quarterly Statement as at 30 September 2017

Important dates 2018

15 March 2018
Balance sheet press conference
for 2017 consolidated financial statements

25 April 2018
Annual General Meeting

8 May 2018
Quarterly Statement as at 31 March 2018

8 August 2018
Half-Year Financial Report as at 30 June 2018

7 November 2018
Quarterly Statement as at 30 September 2018

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