

3/2018

## Key figures (IFRS)

### Munich Re at a glance

|   |    | Q1-3 2018 | Q1-3 2017 | Change | Q3 2018 | Q3 2017 | Change |
|---|----|-----------|-----------|--------|---------|---------|--------|
|   |    |           |           | %      |         |         | %      |
| Consolidated result                               | €m | 2,038     | -146      | -      | 483     | -1,436  | -      |
| Thereof attributable to non-controlling interests | €m | -17       | 9         | -      | -22     | 2       | -      |
| Earnings per share                                | €  | 13.76     | -1.00     | -      | 3.41    | -9.37   | -      |
| Return on risk-adjusted capital (RORAC)           | %  | 10.8      | -0.7      |        | 7.7     | -21.5   |        |
| Return on investment (RoI)                        | %  | 2.8       | 3.2       |        | 2.3     | 2.7     |        |
| Return on equity (RoE)                            | %  | 9.9       | -0.6      |        | 7.2     | -19.8   |        |

|  |     |  | 30.9.2018 | 31.12.2017 | Change |
|--|-----|--|-----------|------------|--------|
|  |     |  |           |            | %      |
| Carrying amount per share                          | €   |  | 182.25    | 185.19     | -1.6   |
| Munich Reinsurance Company's market capitalisation | €bn |  | 28.5      | 28.0       | 1.8    |
| Share price  | €   |  | 190.75    | 180.75     | 5.5    |
| Equity   | €m  |  | 27,117    | 28,198     | -3.8   |
| Investments  | €m  |  | 216,950   | 217,562    | -0.3   |
| Insurance-related investments                      | €m  |  | 9,339     | 9,664      | -3.4   |
| Net technical provisions                           | €m  |  | 208,098   | 205,754    | 1.1    |
| Balance sheet total                                | €m  |  | 269,352   | 265,722    | 1.4    |
| Number of staff                                    |     |  | 42,159    | 42,410     | -0.6   |

### Reinsurance

|  |    | Q1-3 2018 | Q1-3 2017 | Change | Q3 2018 | Q3 2017 | Change |
|--|----|-----------|-----------|--------|---------|---------|--------|
|  |    |           |           | %      |         |         | %      |
| Gross premiums written                   | €m | 23,681    | 23,770    | -0.4   | 8,566   | 8,065   | 6.2    |
| Combined ratio property-casualty         | %  | 97.3      | 117.3     |        | 100.7   | 160.9   |        |
| Investment result                        | €m | 2,033     | 2,097     | -3.1   | 622     | 688     | -9.5   |
| Consolidated result                      | €m | 1,679     | -370      | -      | 309     | -1,465  | -      |
| Thereof: Reinsurance - Life and health   | €m | 603       | 297       | 103.3  | 159     | 59      | 167.7  |
| Thereof: Reinsurance - Property-casualty | €m | 1,076     | -667      | -      | 151     | -1,525  | -      |

### ERGO

|  |    | Q1-3 2018 | Q1-3 2017 | Change | Q3 2018 | Q3 2017 | Change |
|--|----|-----------|-----------|--------|---------|---------|--------|
|  |    |           |           | %      |         |         | %      |
| Gross premiums written                   | €m | 13,423    | 13,234    | 1.4    | 4,224   | 4,214   | 0.2    |
| Combined ratio Property-casualty Germany | %  | 95.3      | 96.6      |        | 94.7    | 98.1    |        |
| Combined ratio International             | %  | 94.7      | 95.5      |        | 93.3    | 91.5    |        |
| Investment result                        | €m | 2,832     | 3,531     | -19.8  | 688     | 901     | -23.6  |
| Consolidated result                      | €m | 359       | 224       | 59.9   | 173     | 29      | 490.9  |
| Thereof: Life and Health Germany         | €m | 198       | 109       | 80.9   | 176     | -3      | -      |
| Thereof: Property-casualty Germany       | €m | 40        | 63        | -37.7  | -18     | 3       | -      |
| Thereof: International                   | €m | 122       | 52        | 135.5  | 15      | 30      | -50.9  |

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# Interim management report

## Business environment

The US Federal Reserve continued with its slow monetary tightening by raising the policy rate three times in the first nine months of 2018. At the end of September, the target range for the US policy rate was 2.0–2.25%. The Fed was also no longer fully reinvesting maturing securities purchased previously. By contrast, the European Central Bank pursued its expansive monetary policy. It left its policy rate at 0%, and continued its bond-buying programme. However, the ECB has reduced the monthly volume of its asset purchases in two steps and announced that net purchases would end in December 2018, though the principal payments for maturing securities purchased under the programme would still be reinvested for an extended period of time.

Yields on ten-year government bonds in the USA rose significantly at the start of the year, but then stagnated at a historically moderate level – despite strong economic growth, higher inflation and monetary tightening. In Europe, however, the low-interest-rate environment continued to pose great challenges for investors. Yields on ten-year government bonds in Germany rose noticeably in January, only to repeatedly fall back to a very low level in the further course of the reporting period. Concerns about the financial policies of the new government in Italy were partly responsible for increased demand for German government bonds, which are perceived as safe. The yield difference between Italian and German government bonds widened appreciably. The escalation of the trade war between the USA and its trading partners (China in particular) and the financial crisis in Turkey caused further drops in the yields of German government bonds. ↗

### Yields on ten-year government bonds

| %       | 30.9.2018 | 31.12.2017 |
|---------|-----------|------------|
| USA     | 3.1       | 2.4        |
| Germany | 0.5       | 0.4        |

These events and developments also led to numerous temporary price falls on the international stock markets. Important equity indices such as the Dow Jones Index in the USA, the DJ EuroStoxx 50, the German DAX and the Japanese Nikkei already saw particularly heavy price losses at the beginning of the year, when bond yields in the USA rose. While stock markets in the USA and Japan recovered in the third quarter in particular, surpassing the rates at year-end 2017 by the end of September, the DJ EuroStoxx 50 and the DAX were still slightly down on the beginning of the year.

### Equity markets

|                 | 30.9.2018 | 31.12.2017 |
|-----------------|-----------|------------|
| DJ EuroStoxx 50 | 3,399     | 3,504      |
| Dow Jones Index | 26,458    | 24,719     |

In the first six months of 2018, there were strong fluctuations in the euro-US dollar exchange rate. The euro rose to US\$ 1.25 at the start of the year, before falling significantly and reaching a low of US\$ 1.13 in August during the financial crisis in Turkey. At the end of September, euro exchange rates against the US dollar and Japanese Yen were lower than at year-end 2017, roughly the same against the pound sterling and Canadian dollar, and significantly higher against the Australian dollar. While the average value of the euro against all important currencies was much higher in Q1 and Q2 2018, in Q3 it was only up on the Canadian dollar and the Australian dollar. It was slightly down against the US dollar, pound sterling and Japanese yen. The average value of the euro against all important currencies from January to September was up on the previous year's figure.

### Currency translation rates

| Rate for €1       | 30.9.2018 | 31.12.2017 | Q3 2018  | Q3 2017  |
|-------------------|-----------|------------|----------|----------|
| Australian dollar | 1.60530   | 1.53525    | 1.59014  | 1.48829  |
| Canadian dollar   | 1.50135   | 1.50450    | 1.52057  | 1.47252  |
| Pound sterling    | 0.89065   | 0.88765    | 0.89240  | 0.89774  |
| US dollar         | 1.16150   | 1.20080    | 1.16329  | 1.17449  |
| Yen               | 131.9290  | 135.2700   | 129.6680 | 130.3270 |

## Business performance of the Group and overview of investment performance

### Key figures<sup>1</sup>

|  |    | Q1-3 2018 | Q1-3 2017 | Change | Q3 2018   | Q3 2017    | Change |
|--|----|-----------|-----------|--------|-----------|------------|--------|
|  |    |           |           | %      |           |            | %      |
| Gross premiums written                               | €m | 37,104    | 37,004    | 0.3    | 12,790    | 12,279     | 4.2    |
| Technical result                                     | €m | 2,436     | -656      | -      | 847       | -2,057     | -      |
| Investment result                                    | €m | 4,865     | 5,629     | -13.6  | 1,311     | 1,589      | -17.5  |
| Insurance-related investment result                  | €m | -32       | 297       | -      | 120       | 129        | -6.6   |
| Operating result                                     | €m | 3,321     | 377       | 781.3  | 1,040     | -1,732     | -      |
| Taxes on income                                      | €m | -514      | 302       | -      | -235      | 597        | -      |
| Return on risk-adjusted capital (RORAC) <sup>2</sup> | %  | 10.8      | -0.7      |        | 7.7       | -21.5      |        |
| Return on equity (RoE) <sup>3</sup>                  | %  | 9.9       | -0.6      |        | 7.2       | -19.8      |        |
| Consolidated result                                  | €m | 2,038     | -146      | -      | 483       | -1,436     | -      |
|  |    |           |           |        |           |            |        |
|  |    |           |           |        | 30.9.2018 | 31.12.2017 | Change |
|  |    |           |           |        | €bn       | €bn        | %      |
| Equity   |    |           |           |        | 27.1      | 28.2       | -3.8   |

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

2 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 51 of our Annual Report 2017.

3 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 nine months of 2018, we take the values as at 31 December 2017 (€28.2bn), 31 March 2018 (€27.2bn), 30 June 2018 (€26.9bn) and 30 September 2018 (€27.1bn).

At €2,038m, Munich Re's consolidated earnings in the first nine months of 2018 (€483m in the third quarter) were as anticipated. Overall, major-loss expenditure was below our expectations, in spite of high natural catastrophe losses in Q3.

Despite strong organic growth in property-casualty reinsurance, in the first nine months our premium income only increased by a marginal 0.3% on the prior year. This is due not only to currency effects but also in particular to a decline in premium volume in the life and health reinsurance segment. This decline is largely attributable to the termination of a large-volume treaty at the end of the previous year and to the restructuring of a further large-volume treaty at the beginning of 2018.

Remeasuring balance-sheet items denominated in foreign currencies at period-end exchange rates led to a currency loss of €154m in the first nine months of 2018 (Q1-3 2017: loss of €293m), which is recognised under "Other non-operating result".

Despite the high consolidated profit, Group equity at the reporting date was lower than at the beginning of the year mainly owing to the decrease in valuation reserves on fixed-interest securities and equities, the dividend payout in April, and share buy-backs.

On the basis of the authorisation granted by the Annual General Meeting on 25 April 2018, we will again buy back own shares for a maximum purchase price of €1bn in the period between 26 April 2018 and, at the latest, the Annual General Meeting on 30 April 2019. In the course of our share buy-back programmes, we bought back a total of 3.4 million Munich Re shares valued at €0.6bn in the first three quarters of 2018.

In the third quarter of 2018, Munich Re submitted a binding purchase offer for the technology company Relayr via the subsidiary Hartford Steam Boiler, and will hold 100% of its shares once the acquisition is complete. The company is valued at €224m, and offers industrial companies end-to-end IoT solutions for digital transformation. Solutions will be developed for customers in a joint business model which, in addition to the technology, includes data analytics, analytics-based risk management and financial instruments.

## Investment mix

| €m   | Carrying amounts |                | Unrealised gains/losses <sup>1</sup> |               | Fair values    |                |
|--|------------------|----------------|--------------------------------------|---------------|----------------|----------------|
|  | 30.9.2018        | 31.12.2017     | 30.9.2018                            | 31.12.2017    | 30.9.2018      | 31.12.2017     |
| Land and buildings, including buildings on third-party land        | 5,658            | 5,121          | 4,276                                | 2,744         | 9,934          | 7,865          |
| Investments in affiliated companies, associates and joint ventures | 2,409            | 2,216          | 1,058                                | 959           | 3,317          | 3,008          |
| Loans  | 54,678           | 54,702         | 9,138                                | 10,788        | 63,816         | 65,490         |
| Other securities available for sale                                | 142,207          | 143,845        | 7,893                                | 10,883        | 142,207        | 143,845        |
| Thereof: Fixed-interest  | 124,056          | 126,486        | 4,903                                | 7,622         | 124,056        | 126,486        |
| Thereof: Non-fixed-interest  | 18,151           | 17,359         | 2,991                                | 3,261         | 18,151         | 17,359         |
| Other securities at fair value through profit or loss              | 2,263            | 1,979          | 0                                    | 0             | 2,263          | 1,979          |
| Thereof: Derivatives   | 1,800            | 1,538          | 0                                    | 0             | 1,800          | 1,538          |
| Deposits retained on assumed reinsurance                           | 5,812            | 5,690          | 0                                    | 0             | 5,812          | 5,690          |
| Other investments  | 3,922            | 4,009          | 0                                    | 0             | 3,922          | 4,009          |
| <b>Total</b>   | <b>216,950</b>   | <b>217,562</b> | <b>22,365</b>                        | <b>25,374</b> | <b>231,271</b> | <b>231,885</b> |

<sup>1</sup> Including on- and off-balance-sheet unrealised gains and losses.

The market value of our investment portfolio decreased in the first nine months, mainly on account of rising interest rates and increasing risk spreads. The development of exchange rates and the increase in the market value of property owing to updated fair value assumptions had an opposite effect.

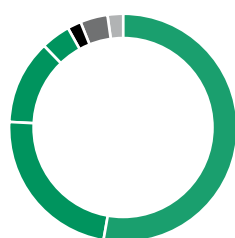
Our portfolio continues to be dominated by fixed-interest securities and loans. Whilst we increased investment in corporate bonds, we decreased our holdings in government bonds and bank bonds.

At the period-end date, 53% of our fixed-interest portfolio was invested in government bonds. In terms of new investments, in the first nine months we invested in emerging-market government bonds in particular. We primarily scaled back bond holdings from US, Spanish and German issuers. The vast majority of our government bonds continue to come from countries with a particularly high credit rating.

Our investment in bank bonds is limited and totalled 2% (2%) of our portfolio of fixed-interest securities as at the reporting date. Corporate bonds from other sectors amounted to 12% (11%). Our credit exposure was increased by a further percentage point through derivatives.

### Fixed-interest portfolio by economic category<sup>1</sup>

Total: €196bn (199bn)



|   |           |
|---|-----------|
| Government bonds <sup>2</sup>           | 53% (54%) |
| Thereof: Inflation-linked bonds         | 7% (8%)   |
| Pfandbriefs/Covered bonds               | 23% (23%) |
| Corporate bonds                         | 12% (11%) |
| Cash positions/Other                    | 4% (4%)   |
| Bank bonds                              | 2% (2%)   |
| Policy and mortgage loans               | 4% (3%)   |
| Structured products (credit structures) | 2% (2%)   |

<sup>1</sup> Presentation essentially shows fixed-interest securities and loans, including deposits and cash at banks, at fair value. The approximation is not fully comparable with IFRS figures.

<sup>2</sup> Including other public-sector issuers and government-guaranteed bank bonds.

The carrying amount of our equity portfolio increased. Our equity-backing ratio rose to 7.6% (7.3%). We increased the derivatives used to hedge our equity portfolio. Including derivatives, the proportion of investments in equities was 6.7% (6.7%). To guard ourselves against accelerated inflation, we held inflation-linked bonds of €7.1bn (8.5bn) (market values). Real and financial assets such as shares, property, commodities, and investments in infrastructure and renewable energies also serve to hedge against inflation. Investments in real and financial assets also have a positive diversification effect on the whole portfolio.

### Investment result<sup>1</sup>

|  | Q1-3 2018    | Return <sup>2</sup> | Q1-3 2017    | Return <sup>2</sup> | Q3 2018      | Q3 2017      |
|--|--------------|---------------------|--------------|---------------------|--------------|--------------|
|  | €m           | %                   | €m           | %                   | €m           | €m           |
| Regular income   | 4,927        | 2.8                 | 4,881        | 2.8                 | 1,598        | 1,527        |
| Write-ups/write-downs of non-derivative investments        | -475         | -0.3                | -160         | -0.1                | -219         | -84          |
| Gains/losses on the disposal of non-derivative investments | 912          | 0.5                 | 1,739        | 1.0                 | 46           | 259          |
| Net balance of derivatives                                 | -15          | 0.0                 | -412         | -0.2                | 56           | 37           |
| Other income/expenses                                      | -485         | -0.3                | -421         | -0.2                | -171         | -151         |
| <b>Total</b>   | <b>4,865</b> | <b>2.8</b>          | <b>5,629</b> | <b>3.2</b>          | <b>1,311</b> | <b>1,589</b> |

<sup>1</sup> The investment result by type of investment can be found on page 41 of the notes to the consolidated financial statements.

<sup>2</sup> Annualised return in % p.a. on the average fair value of the investment portfolio at the quarterly reporting dates. The investment portfolio used to determine the annualised return (2.8%) for the first nine months is calculated as the mean value of the investment portfolios (carrying amounts) as at 31 December 2017 (€217,562m), 31 March 2018 (€216,201m), 30 June 2018 (€217,546m) and 30 September 2018 (€216,950m), and the off-balance-sheet unrealised gains and losses (excluding owner-occupied property and insurance-based loans) as at 31 December 2017 (€14,323m), 31 March 2018 (€13,580m), 30 June 2018 (€13,604m) and 30 September 2018 (€14,321m).

Regular income in the first nine months and in Q3 was slightly above the previous-year level. The reinvestment yield in our fixed-interest investments came to an average of 2.5% (2.0%) in the period from July to September.

In terms of write-ups/write-downs of non-derivative investments, we recorded higher write-downs in the first nine months and in Q3 than in the comparative periods last year. These mainly affected our equity portfolio owing to price falls on the equity markets. Furthermore, in Q3 we performed a write-down of €56m on a wind farm in Texas, which is valued using the equity method. We only had to perform minimal write-downs on fixed-interest securities.

Gains from the disposal of non-derivative investments in the first nine months were lower compared with the same period last year. This is mainly due to a significant decrease in the ERGO Life and Health segment, which in the previous year posted higher gains on disposal to finance the additional interest reserve. In Q3, we also recorded a year-on-year decline in net gains from the disposal of non-derivative investments. This figure was €213m below the previous-year figure and was mainly attributable to shares and fixed-interest securities, and to the anticipated loss from the disposal of a shareholding in the ERGO International segment.

The net balance of derivatives was up in the first nine months and in Q3, primarily due to positive earnings from commodity derivatives and significantly improved earnings from equity derivatives.

## Business performance of the individual segments

### Reinsurance – Life and health

#### Key figures

|  |    | Q1-3 2018 | Q1-3 2017 | Change | Q3 2018 | Q3 2017 | Change |
|--|----|-----------|-----------|--------|---------|---------|--------|
|  |    |           |           | %      |         |         | %      |
| Gross premiums written   | €m | 7,980     | 10,246    | -22.1  | 2,805   | 3,322   | -15.6  |
| Share of gross premiums written in reinsurance   | %  | 33.7      | 43.1      |        | 32.7    | 41.2    |        |
| Technical result, including the result from reinsurance treaties without significant risk transfer | €m | 419       | 271       | 54.7   | 88      | 37      | 140.0  |
| Investment result  | €m | 727       | 661       | 10.0   | 217     | 208     | 4.1    |
| Operating result   | €m | 749       | 470       | 59.5   | 204     | 102     | 101.3  |
| Consolidated result  | €m | 603       | 297       | 103.3  | 159     | 59      | 167.7  |

#### Premium

We write the majority of our business (around 85%) in non-euro currencies. Exchange-rate fluctuations therefore have a significant impact on premium development. If exchange rates had remained unchanged, our gross premiums written would have shown a year-on-year decrease of 18.1% for the first nine months and 15.7% for Q3. The decrease was chiefly attributable to the expected termination of a large-volume treaty at the end of last year. In addition, there was a change to the reinsurance structure of another large-volume treaty that took effect as of the beginning of the year.

#### Result

At €363m (232m), the technical result for the first nine months was at a very good level. This was mainly on account of the very good result for the first half-year, which was attributable to overall positive loss experience and a one-off effect in the first quarter.

The third quarter, in which we posted a technical result of €67m (23m), fell slightly short of our expectations, chiefly on account of a one-off impact on the technical result deriving from the sale of our Group life specialist, Ellipse. Overall, the sale – which is scheduled for conclusion in the first quarter of 2019 – will have a positive effect on our result. Another negative effect on the quarterly result derived from a large individual loss in Canada. Apart from this, claims expenditure across all other key markets was within the expected range in Q3. Claims experience was particularly gratifying in the USA, but we saw somewhat increased claims expenditure in selected segments in Canada, Australia and the United Kingdom.

The result from the part of the business not posted in the technical result as a consequence of non-significant risk transfer continued to develop in a very satisfying manner, and at €57m (39m) for the first nine months and €21m (13m) for Q3, surpassed the level for the same periods last year due to business growth.

In the first nine months of the year, we achieved an investment result that was above the previous year's figure. This is attributable in particular to higher gains on the disposal of fixed-interest securities. The investment result in Q3 is at the previous-year level.



## Reinsurance – Property-casualty

### Key figures

|  |                   | Q1-3 2018 | Q1-3 2017 | Change | Q3 2018 | Q3 2017 | Change |
|--|-------------------|-----------|-----------|--------|---------|---------|--------|
|  |                   |           |           | %      |         |         | %      |
| Gross premiums written                         | €m                | 15,701    | 13,524    | 16.1   | 5,761   | 4,743   | 21.5   |
| Share of gross premiums written in reinsurance | %                 | 66.3      | 56.9      |        | 67.3    | 58.8    |        |
| Loss ratio                                     | %                 | 64.0      | 84.8      |        | 67.7    | 129.1   |        |
| Thereof: Major losses                          | Percentage points | 9.3       | 30.3      |        | 12.5    | 75.0    |        |
| Expense ratio                                  | %                 | 33.3      | 32.6      |        | 33.0    | 31.8    |        |
| Combined ratio                                 | %                 | 97.3      | 117.3     |        | 100.7   | 160.9   |        |
| Technical result                               | €m                | 1,193     | -1,381    | -      | 261     | -2,306  | -      |
| Investment result                              | €m                | 1,306     | 1,436     | -9.1   | 405     | 479     | -15.4  |
| Operating result                               | €m                | 1,599     | -919      | -      | 384     | -2,130  | -      |
| Consolidated result                            | €m                | 1,076     | -667      | -      | 151     | -1,525  | -      |

### Premium

In property-casualty reinsurance, gross premiums written essentially benefited from the conclusion of new large-volume treaties. Negative exchange-rate effects had an adverse effect. If exchange rates had remained unchanged, premium income would have seen a year-on-year increase of 22.2% for the first nine months and 21.3% for Q3.

The renewals at 1 July 2018 chiefly involved treaty business in North America, Latin America and Australia. A total premium volume of around €2.3bn was up for renewal, representing about 13% of Munich Re's property-casualty reinsurance business. As was the case with the previous two renewal rounds, the trend that had begun to be observed continued, with rising prices in the markets affected by natural catastrophes, in particular in the Caribbean, but otherwise stable price trends in view of the still-high capacity levels in the markets. The price increase for the July renewals amounted to 0.9% overall (-0.4% for the renewals at 1 July 2017), excluding the effect from higher interest rates. Premium volume was up by a gratifyingly significant 42% to about €3.3bn. This strong increase is not attributable to an undifferentiated sales offensive, but is primarily the result of an attractive large-volume treaty in Australia and profitable growth of reinsurance quota share business in the USA.

### Result

The technical result saw a significant year-on-year improvement in the period from January to September and in Q3 owing to lower major-loss expenditure, but it was nevertheless significantly impacted by high natural-catastrophe losses.

The third quarter of the previous year had been marked by dramatic claims expenditure for hurricanes Harvey, Irma and Maria in the USA and Caribbean. In the first three quarters of 2018, in particular in Q2 and Q3, we were also significantly impacted by large losses, although these

were within normal bounds at €1,267m (3,821m) before retrocession and tax for the first nine months, and €599m (3,165m) for Q3. These amounts include run-off profits and losses for major claims from previous years, and are equivalent to 9.3% of net earned premium for the first nine months and 12.5% for Q3. Our expenditure in Q3 was slightly above the average volume of major claims to be expected, i.e. 12% of net earned premiums.

Expenditure from natural catastrophes totalled €559m (3,186m) for the period from January to September, and €505m (2,965m) for Q3. The largest losses were those caused by Typhoon Jebi and Hurricane Florence, which struck in September. Typhoon Jebi caused massive destruction in Japan, whereas Hurricane Florence battered the East Coast of the United States. We anticipate that both natural catastrophes will result in expenditure in the order of approximately €300m each.

Expenditure for man-made losses totalled €707m (635m) for the first nine months of the year, and €94m (200m) for Q3.

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 claims notifications remained well below the expected level, we released reserves in the third quarter. After adjustments for commissions, these reserve releases amounted to around €190m, which is equivalent to 4.0 percentage points of net earned premiums. We still aim to set the amount of provisions for newly emerging claims at the 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 97.3% (117.3%) of net earned premiums for the first nine months, and 100.7% (160.9%) for Q3.

As a result of higher impairments on our equity portfolio and on our portfolio of physical gold – where we had posted reversals just the previous year – the investment result for the first nine months diminished. Furthermore, ↗

in Q3 we performed a write-down of €56m on a wind farm in Texas, which is valued using the equity method. For these reasons, the investment result for Q3 totalled €405m and was also below the level in the same period last year.

## ERGO Life and Health Germany

### Key figures

|   |    | Q1-3 2018 | Q1-3 2017 | Change | Q3 2018 | Q3 2017 | Change |
|---|----|-----------|-----------|--------|---------|---------|--------|
|   |    |           |           | %      |         |         | %      |
| Total premium income <sup>1</sup>       | €m | 7,406     | 7,385     | 0.3    | 2,422   | 2,428   | -0.2   |
| Gross premiums written                  | €m | 6,911     | 6,865     | 0.7    | 2,278   | 2,297   | -0.8   |
| Share of gross premiums written by ERGO | %  | 51.5      | 51.9      |        | 53.9    | 54.5    |        |
| Technical result                        | €m | 530       | 250       | 111.7  | 372     | 95      | 290.1  |
| Investment result                       | €m | 2,494     | 3,130     | -20.3  | 638     | 774     | -17.6  |
| Operating result                        | €m | 578       | 462       | 25.0   | 360     | 134     | 169.9  |
| Consolidated result                     | €m | 198       | 109       | 80.9   | 176     | -3      | -      |

<sup>1</sup> 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 slight increase in overall premium income and gross premiums written was due to the Health Germany segment and German direct business, whereas premium income in German business fell as expected in the first nine months.

In the Life Germany segment, total premium income saw a decline of 3.7% to €2,477m (2,572m) for the period from January to September, of which €777m (830m) related to Q3 (-6.4%). Gross premiums written were down by 3.6% to €2,002m (2,077m) for the first nine months, and amounted to €641m (706m) for July to September (-9.3%). The decline in the first three quarters was mainly due to lower regular premium income owing to a planned portfolio reduction. New business, which has been affected by the discontinuation of bancassurance, could not compensate for this decrease. In terms of annual premium equivalent, new business volume (regular premium income plus one-tenth of single-premium volume) was down by 4.4% to €152m (159m) compared with the same period last year.

Gross premiums written in the Health Germany segment were up year on year by 2.2% to €4,109m (4,021m) for the period from January to September and by 2.4% to €1,373m (1,341m) for Q3. Premium income in supplementary health insurance saw growth of 2.2%, whilst in comprehensive health insurance it remained roughly at the same level (-0.6%) year on year. The development in comprehensive health business was partly attributable to a reduced portfolio. Growth in supplementary insurance benefited from the performance of business not similar to life insurance. Travel insurance, which we write in Germany and abroad, also contributed to the increase in premium volume in the segment.

Total premium income for direct business in Germany rose by 3.7% year on year to €821m (792m) for the period from January to September, with Q3 accounting for €272m (257m), an increase of 5.7%. Gross premiums written increased by 4.4% to €800m (766m) in the period from January to September, and by 5.8% to €265m (250m) in Q3. The higher figure was mainly due to good growth (+9.9%) in health insurance, in particular supplementary dental insurance. Premium income in property-casualty business was also up (+7.4%). By contrast, in the first nine months overall premium income in life insurance business was down year on year by 5.3%. In terms of annual premium equivalent (regular premium income plus one-tenth of single-premium volume), new business volume remained at roughly the same level (+0.8%) as last year at €21m (21m).

### Result

The technical result saw a significant year-on-year increase in the period from January to September, and in Q3. Slight improvements were recorded in the Health Germany and Direct Germany segments. By contrast, Life Germany posted a significant increase, mainly as a result of a one-off effect from changed assumptions about profit appropriation. The investment result fell for both the first nine months and third quarter, mainly owing to appreciably lower gains from disposals. The net balance of derivatives for Q3 was also lower year on year. To finance the additional interest reserve (ZZR – to be built up only in single-entity financial statements under German GAAP), we realised lower gains on the disposal of investments compared with the first nine months of 2017. This was mainly on account of the anticipated relief as regards allocations to the additional interest reserve following the planned introduction of the corridor method.

In private health insurance, there are a number of ongoing legal disputes (some are already being appealed) that concern premium adjustments in recent years. Though we are convinced that these premium adjustments are ↗

lawful, we nonetheless wish to take certain precautions in light of the increased number of lawsuits and have therefore set aside a small provision for these disputes.

## ERGO Property-casualty Germany

### Key figures

|   |    | Q1-3 2018 | Q1-3 2017 | Change | Q3 2018 | Q3 2017 | Change |
|---|----|-----------|-----------|--------|---------|---------|--------|
|   |    |           |           | %      |         |         | %      |
| Gross premiums written                  | €m | 2,699     | 2,619     | 3.1    | 752     | 722     | 4.2    |
| Share of gross premiums written by ERGO | %  | 20.1      | 19.8      |        | 17.8    | 17.1    |        |
| Loss ratio                              | %  | 62.7      | 63.3      |        | 63.4    | 66.5    |        |
| Expense ratio                           | %  | 32.6      | 33.2      |        | 31.4    | 31.6    |        |
| Combined ratio                          | %  | 95.3      | 96.6      |        | 94.7    | 98.1    |        |
| Technical result                        | €m | 129       | 122       | 5.4    | 37      | 32      | 14.8   |
| Investment result                       | €m | 98        | 137       | -28.7  | 21      | 38      | -46.2  |
| Operating result                        | €m | 173       | 196       | -11.3  | 34      | 52      | -34.0  |
| Consolidated result                     | €m | 40        | 63        | -37.7  | -18     | 3       | -      |

### Premium

Gross premiums written saw a gratifying year-on-year increase in the first nine months, which was mainly attributable to growth of 17.2% in other classes of business – in particular in marine, UK title insurance and engineering insurance. Fire and property insurance also saw an increase in gross premiums written (+4.6%), as did liability insurance (+1.2%), legal protection insurance (+1.5%), and motor business (+0.6%). By contrast, in personal accident insurance we recorded lower gross premiums written (-1.6%) than in the first three quarters of the previous year.

### Result

Year on year, the technical result generated by the ERGO Property-casualty Germany segment was higher in the first nine months and in Q3. In the first nine months and in Q3, expenditure for major natural catastrophe losses was unremarkable overall. Beyond this, claims experience was positive in our core business. At the beginning of 2018, natural catastrophe losses – particularly those from Storm Friederike – had exceeded expectations. In part owing to lower major-loss expenditure, the combined ratio in Q3 was 3.4 percentage points under the previous year's figure. The combined ratio for January to September was slightly lower (-1.2 percentage points) year on year. The investment result was below that of the first three quarters of 2017, chiefly on account of lower gains from the disposal of equities, a decline in regular income and an increase in write-downs. The investment result for Q3 was also down.

## ERGO International

### Key figures

|   |    | Q1-3 2018 | Q1-3 2017 | Change | Q3 2018 | Q3 2017 | Change |
|---|----|-----------|-----------|--------|---------|---------|--------|
|   |    |           |           | %      |         |         | %      |
| Total premium income <sup>1</sup>       | €m | 4,012     | 3,968     | 1.1    | 1,253   | 1,261   | -0.6   |
| Gross premiums written                  | €m | 3,813     | 3,750     | 1.7    | 1,194   | 1,195   | -0.1   |
| Share of gross premiums written by ERGO | %  | 28.4      | 28.3      |        | 28.3    | 28.4    |        |
| Loss ratio                              | %  | 62.2      | 64.5      |        | 57.7    | 60.7    |        |
| Expense ratio                           | %  | 32.5      | 31.0      |        | 35.6    | 30.8    |        |
| Combined ratio                          | %  | 94.7      | 95.5      |        | 93.3    | 91.5    |        |
| Technical result                        | €m | 221       | 121       | 83.3   | 110     | 97      | 13.2   |
| Investment result                       | €m | 241       | 264       | -9.0   | 30      | 89      | -66.2  |
| Operating result                        | €m | 221       | 168       | 31.2   | 57      | 111     | -49.1  |
| Consolidated result                     | €m | 122       | 52        | 135.5  | 15      | 30      | -50.9  |

<sup>1</sup> 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

Compared with the same period last year, from January to September we posted an overall increase in total premium income and in gross premiums written. This improvement was mainly attributable to property-casualty insurance and – with regard to gross premiums written – also to life insurance. In Q3, our total premium income and gross premiums written were nearly at the same level as last year. Adjusted to eliminate negative currency translation effects, gross premiums written in the ERGO International segment for the period January to September would have increased by 3.0% on the same period last year.

In terms of gross premiums written, life insurance makes up around 17%, health business approximately 27% and property-casualty insurance around 56%. Our biggest markets include Poland, accounting for approximately 29%, Belgium (approx. 17%) and Spain (approx. 16%).

At €840m (845m), total premium income in life insurance business was down slightly by 0.6% for the first nine months. This was due in particular to developments in Belgium, where we deliberately stopped taking out new business in the middle of 2017. By contrast, in Q3 we posted growth of 1.7% to €266m (261m), largely thanks to increased premium volume in Austria and Russia. In health business, premium volume decreased owing to one-off effects. By contrast, in two of our major markets, Spain and Belgium, we posted an increase in premium income. From January to September, gross premiums written fell by 2.5% to €1,032m (1,059m), with Q3 accounting for €325m (326m). International property-casualty business saw a 3.7% rise in premium income to €2,140m (2,064m) in the first nine months and €663m (673m) in Q3. The increase in the first three quarters was mainly attributable to Poland (+13.6%), our largest market, and to growth in the Baltic states (+10.3%).

### Result

There was a year-on-year improvement in the technical result for the ERGO International segment both in the first nine months and in the third quarter. The reasons for this positive development were price adjustments and growth in the number of policies in Polish property-casualty business, along with improvements in Belgian life insurance business and international health business.

The improved combined ratio for January to September was chiefly attributable to developments in Poland, mainly on account of price adjustments, and in international legal protection business (-2.0 percentage points). The combined ratio also improved in international health business (-2.9 percentage points). In Q3, the combined ratio was higher than in the same period last year, owing to a higher expense ratio.

The investment result for the first nine months and for the third quarter was lower than for the same periods last year. The decline in Q3 is mainly attributable to losses expected for 2018 from the disposal of shareholdings.

## 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 and economic earnings 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) 2018

|   |     | As at<br>30.9.2018 | From<br>Q2 2018 | From<br>Q1 2018 | From<br>Annual<br>Report 2017 |
|---|-----|--------------------|-----------------|-----------------|-------------------------------|
| Gross premiums written                                      | €bn | 48-49              | 46-49           | 46-49           | 46-49                         |
| Technical result - Life and health reinsurance <sup>1</sup> | €m  | at least 475       | at least 475    | at least 475    | at least 475                  |
| Combined ratio - Property-casualty reinsurance              | %   | 97                 | 97              | 97              | 99                            |
| Combined ratio - ERGO Property-casualty Germany             | %   | 96                 | 96              | 96              | 96                            |
| Combined ratio - ERGO Property-casualty International       | %   | 96                 | 96              | 97              | 97                            |
| Return on investment <sup>2</sup>                           | %   | around 3           | around 3        | around 3        | around 3                      |
| Consolidated result   | €bn | 2.1-2.5            | 2.1-2.5         | 2.1-2.5         | 2.1-2.5                       |

1 Including the result from business with non-significant risk transfer.

2 Excluding insurance-related investments.

Compared with our forecasts made in the 2017 Annual Report and in the 2018 Half-Year Financial Report, we anticipate the following developments after the first three quarters of 2018 with regard to these key figures relevant for Munich Re:

We previously envisaged gross premiums written in the order of €46-49bn. Given the positive development of premium in the property-casualty reinsurance segment, we are narrowing down our target corridor to €48-49bn.

For the ERGO field of business, we had previously forecast a result in the range of €250-300m. Following the good result for Q3, we are now raising our annual profit projection to over €350m.

As regards the Group's economic value added, which is measured on the basis of economic earnings, we had forecast a target corridor of "slightly above €2.1-2.5bn" in our 2017 Annual Report. We expect to significantly surpass this projection subject to stable capital markets, normal major-loss incidence and unchanged modelling parameters, in particular in view of updated property valuations, which account for well over €1bn of economic earnings for the period under review and mainly raise the off-balance-sheet valuation reserves under IFRS.

In the reinsurance treaty renewals in 2018, prices increased in the markets affected by natural catastrophes. In the other markets and classes of business, prices remained stable or developed slightly positively. Despite high losses from natural catastrophes in the previous year, the availability of

reinsurance capital remained high in the 2018 renewals. Prices increased by around 0.8% (previous year: -0.5%) in the 2018 renewals. The profitability of our business was additionally reinforced by higher interest rates compared with the previous year. In the renewals between January and July, premium volume was up by around 22% (€2.7bn). This significant increase is largely attributable to profitable growth of reinsurance quota share business in the USA and an attractive large-volume treaty in Australia.

For the renewals at 1 January 2019, we project stable prices overall, although we envisage further price increases in individual markets. All in all, we predict that pressure on prices will continue given that the availability of reinsurance capital is still high.

We are still expecting Munich Re to generate a consolidated result in the order of €2.1-2.5bn. Our good capital position will allow us to continue to utilise opportunities for profitable growth in individual regions and classes of business, and to continue returning unneeded capital to our shareholders going forward. We therefore intend to buy back own shares for a maximum purchase price of €1bn by the Annual General Meeting in April 2019.

A change in the law governing state pension provision is being discussed in Australia, which would permit policyholders to change provider under certain circumstances in future. This change in the law could result in a higher lapse risk. All other statements related to opportunities and risks made in our 2017 Annual Report remain unchanged.

# Condensed interim consolidated financial statements

## Consolidated balance sheet as at 30 September 2018

### Assets

|   | 30.9.2018 |         | 31.12.2017     | Change         |              |
|---|-----------|---------|----------------|----------------|--------------|
|   | €m        | €m      | €m             | €m             | %            |
| <b>A. Intangible assets</b>   |           |         |                |                |              |
| I. Goodwill   |           | 2,675   | 2,584          | 91             | 3.5          |
| II. Other intangible assets   |           | 1,097   | 1,105          | -9             | -0.8         |
|   |           |         | <b>3,771</b>   | <b>82</b>      | <b>2.2</b>   |
| <b>B. Investments</b>   |           |         |                |                |              |
| I. Land and buildings, including buildings on third-party land                  |           | 5,658   | 5,121          | 537            | 10.5         |
| II. Investments in affiliated companies, associates and joint ventures          |           | 2,409   | 2,216          | 193            | 8.7          |
| Thereof:<br>Associates and joint ventures accounted for using the equity method |           | 2,220   | 2,010          | 209            | 10.4         |
| III. Loans  |           | 54,678  | 54,702         | -23            | 0.0          |
| IV. Other securities  |           |         |                |                |              |
| 1. Available for sale   | 142,207   |         | 143,845        | -1,638         | -1.1         |
| 2. At fair value through profit or loss   | 2,263     |         | 1,979          | 284            | 14.3         |
|   |           | 144,470 | 145,824        | -1,354         | -0.9         |
| V. Deposits retained on assumed reinsurance                                     |           | 5,812   | 5,690          | 122            | 2.1          |
| VI. Other investments   |           | 3,922   | 4,009          | -87            | -2.2         |
|   |           |         | <b>216,950</b> | <b>-612</b>    | <b>-0.3</b>  |
| <b>C. Insurance-related investments</b>   |           |         | <b>9,339</b>   | <b>9,664</b>   | <b>-325</b>  |
| <b>D. Ceded share of technical provisions</b>                                   |           |         | <b>4,175</b>   | <b>4,169</b>   | <b>6</b>     |
| <b>E. Receivables</b>   |           |         |                |                |              |
| I. Current tax receivables  |           | 491     | 440            | 51             | 11.6         |
| II. Other receivables   |           | 16,814  | 13,385         | 3,429          | 25.6         |
|   |           |         | <b>17,305</b>  | <b>3,480</b>   | <b>25.2</b>  |
| <b>F. Cash at banks, cheques and cash in hand</b>                               |           |         | <b>3,754</b>   | <b>3,625</b>   | <b>128</b>   |
| <b>G. Deferred acquisition costs</b>  |           |         |                |                |              |
| Gross   |           | 9,726   | 9,563          | 163            | 1.7          |
| Ceded share   |           | -222    | -135           | -87            | -64.6        |
| Net   |           |         | 9,504          | 75             | 0.8          |
| <b>H. Deferred tax assets</b>   |           |         | <b>683</b>     | <b>534</b>     | <b>149</b>   |
| <b>I. Other assets</b>  |           |         | <b>2,962</b>   | <b>3,107</b>   | <b>-145</b>  |
| <b>J. Assets held for sale</b>  |           |         | <b>908</b>     | <b>118</b>     | <b>790</b>   |
| <b>Total assets</b>   |           |         | <b>269,352</b> | <b>265,722</b> | <b>3,630</b> |

Equity and liabilities

|   | 30.9.2018 |                | 31.12.2017     |               | Change             |
|---|-----------|----------------|----------------|---------------|--------------------|
|   | €m        | €m             | €m             | €m            | %                  |
| <b>A. Equity</b>  |           |                |                |               |                    |
| I. Issued capital and capital reserve   | 7,426     |                | 7,418          | 8             | 0.1                |
| II. Retained earnings   | 13,586    |                | 15,036         | -1,450        | -9.6               |
| III. Other reserves   | 3,889     |                | 5,183          | -1,294        | -25.0              |
| IV. Consolidated result attributable to Munich Reinsurance Company equity holders | 2,054     |                | 375            | 1,679         | 447.3              |
| V. Non-controlling interests  | 162       |                | 186            | -24           | -13.0              |
|   |           | <b>27,117</b>  | <b>28,198</b>  | <b>-1,081</b> | <b>-3.8</b>        |
| <b>B. Subordinated liabilities</b>  |           | <b>2,455</b>   | <b>2,790</b>   | <b>-335</b>   | <b>-12.0</b>       |
| <b>C. Gross technical provisions</b>  |           |                |                |               |                    |
| I. Unearned premiums  | 10,455    |                | 8,857          | 1,598         | 18.0               |
| II. Provision for future policy benefits  | 110,001   |                | 108,956        | 1,045         | 1.0                |
| III. Provision for outstanding claims   | 65,377    |                | 63,965         | 1,412         | 2.2                |
| IV. Other technical provisions  | 17,591    |                | 19,174         | -1,583        | -8.3               |
|   |           | <b>203,424</b> | <b>200,952</b> | <b>2,472</b>  | <b>1.2</b>         |
| <b>D. Gross technical provisions for unit-linked life insurance</b>               |           | <b>8,850</b>   | <b>8,971</b>   | <b>-122</b>   | <b>-1.4</b>        |
| <b>E. Other provisions</b>  |           | <b>4,496</b>   | <b>4,508</b>   | <b>-12</b>    | <b>-0.3</b>        |
| <b>F. Liabilities</b>   |           |                |                |               |                    |
| I. Bonds and notes issued   | 287       |                | 277            | 9             | 3.4                |
| II. Deposits retained on ceded business   | 502       |                | 594            | -92           | -15.5              |
| III. Current tax liabilities  | 1,992     |                | 2,439          | -447          | -18.3              |
| IV. Other liabilities   | 18,057    |                | 15,471         | 2,586         | 16.7               |
|   |           | <b>20,838</b>  | <b>18,781</b>  | <b>2,056</b>  | <b>10.9</b>        |
| <b>G. Deferred tax liabilities</b>  |           | <b>1,430</b>   | <b>1,456</b>   | <b>-26</b>    | <b>-1.8</b>        |
| <b>H. Liabilities related to assets held for sale</b>                             |           | <b>743</b>     | <b>65</b>      | <b>678</b>    | <b>&gt;1,000.0</b> |
| <b>Total equity and liabilities</b>   |           | <b>269,352</b> | <b>265,722</b> | <b>3,630</b>  | <b>1.4</b>         |

## Consolidated income statement<sup>1</sup>

1 January to 30 September 2018

| Items   | Q1-3 2018     |               |              | Q1-3 2017     |              | Change       |
|---|---------------|---------------|--------------|---------------|--------------|--------------|
|   | €m            | €m            | €m           | €m            | €m           | %            |
| <b>Gross premiums written</b>   | <b>37,104</b> |               |              | <b>37,004</b> | <b>100</b>   | <b>0.3</b>   |
| <b>1. Earned premiums</b>   |               |               |              |               |              |              |
| Gross   | 35,385        |               |              | 36,463        | -1,077       | -3.0         |
| Ceded   | -1,627        |               |              | -1,151        | -476         | -41.4        |
| Net   |               | 33,758        |              | 35,312        | -1,554       | -4.4         |
| <b>2. Income from technical interest</b>  |               | <b>3,908</b>  |              | <b>4,742</b>  | <b>-834</b>  | <b>-17.6</b> |
| <b>3. Expenses for claims and benefits</b>                                      |               |               |              |               |              |              |
| Gross   | -26,943       |               |              | -33,206       | 6,263        | 18.9         |
| Ceded   | 780           |               |              | 1,307         | -527         | -40.3        |
| Net   |               | -26,163       |              | -31,899       | 5,736        | 18.0         |
| <b>4. Operating expenses</b>  |               |               |              |               |              |              |
| Gross   | -9,462        |               |              | -9,053        | -409         | -4.5         |
| Ceded   | 396           |               |              | 243           | 153          | 63.0         |
| Net   |               | -9,067        |              | -8,810        | -257         | -2.9         |
| <b>5. Technical result (1-4)</b>  |               |               | <b>2,436</b> | <b>-656</b>   | <b>3,091</b> | <b>-</b>     |
| <b>6. Investment result</b>   |               | <b>4,865</b>  |              | <b>5,629</b>  | <b>-764</b>  | <b>-13.6</b> |
| Thereof:  |               |               |              |               |              |              |
| Income from associates and joint ventures accounted for using the equity method |               | 95            |              | 90            | 5            | 5.9          |
| <b>7. Insurance-related investment result</b>                                   |               | <b>-32</b>    |              | <b>297</b>    | <b>-329</b>  | <b>-</b>     |
| <b>8. Other operating income</b>  |               | <b>594</b>    |              | <b>515</b>    | <b>80</b>    | <b>15.5</b>  |
| <b>9. Other operating expenses</b>  |               | <b>-635</b>   |              | <b>-666</b>   | <b>31</b>    | <b>4.6</b>   |
| <b>10. Deduction of income from technical interest</b>                          |               | <b>-3,908</b> |              | <b>-4,742</b> | <b>834</b>   | <b>17.6</b>  |
| <b>11. Non-technical result (6-10)</b>  |               |               | <b>885</b>   | <b>1,032</b>  | <b>-148</b>  | <b>-14.3</b> |
| <b>12. Operating result (5+11)</b>  |               |               | <b>3,321</b> | <b>377</b>    | <b>2,944</b> | <b>781.3</b> |
| <b>13. Other non-operating result</b>   |               |               | <b>-616</b>  | <b>-659</b>   | <b>43</b>    | <b>6.5</b>   |
| <b>14. Impairment losses on goodwill</b>  |               |               | <b>-6</b>    | <b>-6</b>     | <b>0</b>     | <b>-7.9</b>  |
| <b>15. Net finance costs</b>  |               |               | <b>-146</b>  | <b>-160</b>   | <b>14</b>    | <b>8.6</b>   |
| <b>16. Taxes on income</b>  |               |               | <b>-514</b>  | <b>302</b>    | <b>-816</b>  | <b>-</b>     |
| <b>17. Consolidated result (12-16)</b>  |               |               | <b>2,038</b> | <b>-146</b>   | <b>2,184</b> | <b>-</b>     |
| Thereof:  |               |               |              |               |              |              |
| Attributable to Munich Reinsurance Company equity holders                       |               |               | 2,054        | -155          | 2,209        | -            |
| Attributable to non-controlling interests                                       |               |               | -17          | 9             | -26          | -            |
|   |               |               | €            | €             | €            | %            |
| <b>Earnings per share</b>   |               |               | <b>13.76</b> | <b>-1.00</b>  | <b>14.76</b> | <b>-</b>     |

<sup>1</sup> Previous year's figures adjusted owing to IAS 8.



## Consolidated income statement

1 July to 30 September 2018

### Items

|   |               |               | Q3 2018      | Q3 2017       | Change       |              |
|---|---------------|---------------|--------------|---------------|--------------|--------------|
|   | €m            | €m            | €m           | €m            | €m           | %            |
| <b>Gross premiums written</b>   | <b>12,790</b> |               |              | <b>12,279</b> | <b>511</b>   | <b>4.2</b>   |
| <b>1. Earned premiums</b>   |               |               |              |               |              |              |
| Gross   | 12,203        |               |              | 12,115        | 88           | 0.7          |
| Ceded   | -655          |               |              | -417          | -238         | -57.1        |
| Net   |               | 11,548        |              | 11,698        | -150         | -1.3         |
| <b>2. Income from technical interest</b>  |               | <b>1,255</b>  |              | <b>1,331</b>  | <b>-76</b>   | <b>-5.7</b>  |
| <b>3. Expenses for claims and benefits</b>                                      |               |               |              |               |              |              |
| Gross   | -9,208        |               |              | -13,112       | 3,904        | 29.8         |
| Ceded   | 351           |               |              | 899           | -548         | -61.0        |
| Net   |               | -8,857        |              | -12,213       | 3,356        | 27.5         |
| <b>4. Operating expenses</b>  |               |               |              |               |              |              |
| Gross   | -3,245        |               |              | -2,956        | -289         | -9.8         |
| Ceded   | 146           |               |              | 82            | 63           | 76.7         |
| Net   |               | -3,099        |              | -2,874        | -226         | -7.9         |
| <b>5. Technical result (1-4)</b>  |               |               | <b>847</b>   | <b>-2,057</b> | <b>2,904</b> | <b>-</b>     |
| <b>6. Investment result</b>   |               | <b>1,311</b>  |              | <b>1,589</b>  | <b>-278</b>  | <b>-17.5</b> |
| Thereof:  |               |               |              |               |              |              |
| Income from associates and joint ventures accounted for using the equity method |               | 0             |              | 29            | -29          | -99.5        |
| <b>7. Insurance-related investment result</b>                                   |               | <b>120</b>    |              | <b>129</b>    | <b>-8</b>    | <b>-6.6</b>  |
| <b>8. Other operating income</b>  |               | <b>245</b>    |              | <b>157</b>    | <b>87</b>    | <b>55.5</b>  |
| <b>9. Other operating expenses</b>  |               | <b>-227</b>   |              | <b>-218</b>   | <b>-9</b>    | <b>-3.9</b>  |
| <b>10. Deduction of income from technical interest</b>                          |               | <b>-1,255</b> |              | <b>-1,331</b> | <b>76</b>    | <b>5.7</b>   |
| <b>11. Non-technical result (6-10)</b>  |               |               | <b>193</b>   | <b>326</b>    | <b>-132</b>  | <b>-40.7</b> |
| <b>12. Operating result (5+11)</b>  |               |               | <b>1,040</b> | <b>-1,732</b> | <b>2,772</b> | <b>-</b>     |
| <b>13. Other non-operating result</b>   |               |               | <b>-272</b>  | <b>-243</b>   | <b>-29</b>   | <b>-11.9</b> |
| <b>14. Impairment losses on goodwill</b>  |               |               | <b>-6</b>    | <b>-6</b>     | <b>0</b>     | <b>-7.9</b>  |
| <b>15. Net finance costs</b>  |               |               | <b>-45</b>   | <b>-53</b>    | <b>9</b>     | <b>16.0</b>  |
| <b>16. Taxes on income</b>  |               |               | <b>-235</b>  | <b>597</b>    | <b>-832</b>  | <b>-</b>     |
| <b>17. Consolidated result (12-16)</b>  |               |               | <b>483</b>   | <b>-1,436</b> | <b>1,919</b> | <b>-</b>     |
| Thereof:  |               |               |              |               |              |              |
| Attributable to Munich Reinsurance Company equity holders                       |               |               | 505          | -1,438        | 1,943        | -            |
| Attributable to non-controlling interests                                       |               |               | -22          | 2             | -24          | -            |
|   |               |               | €            | €             | €            | %            |
| <b>Earnings per share</b>   |               |               | <b>3.41</b>  | <b>-9.37</b>  | <b>12.77</b> | <b>-</b>     |

## Consolidated income statement (quarterly breakdown)

| Items   | Q3 2018       | Q2 2018       | Q1 2018       | Q4 2017       | Q3 2017       | Q2 2017       | Q1 2017       |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|   | €m            | €m            | €m            | €m            | €m            | €m            | €m            |
| <b>Gross premiums written</b>   | <b>12,790</b> | <b>11,188</b> | <b>13,126</b> | <b>12,112</b> | <b>12,279</b> | <b>11,800</b> | <b>12,925</b> |
| <b>1. Earned premiums</b>   |               |               |               |               |               |               |               |
| Gross   | 12,203        | 11,497        | 11,685        | 12,229        | 12,115        | 12,145        | 12,202        |
| Ceded   | -655          | -541          | -431          | -377          | -417          | -374          | -360          |
| Net   | 11,548        | 10,956        | 11,254        | 11,852        | 11,698        | 11,771        | 11,842        |
| <b>2. Income from technical interest</b>  | <b>1,255</b>  | <b>1,410</b>  | <b>1,242</b>  | <b>1,634</b>  | <b>1,331</b>  | <b>1,442</b>  | <b>1,969</b>  |
| <b>3. Expenses for claims and benefits</b>                                      |               |               |               |               |               |               |               |
| Gross   | -9,208        | -9,217        | -8,519        | -9,989        | -13,112       | -9,796        | -10,298       |
| Ceded   | 351           | 342           | 87            | 242           | 899           | 288           | 120           |
| Net   | -8,857        | -8,875        | -8,431        | -9,746        | -12,213       | -9,509        | -10,178       |
| <b>4. Operating expenses</b>  |               |               |               |               |               |               |               |
| Gross   | -3,245        | -3,068        | -3,149        | -3,445        | -2,956        | -3,056        | -3,041        |
| Ceded   | 146           | 146           | 104           | 70            | 82            | 91            | 70            |
| Net   | -3,099        | -2,922        | -3,045        | -3,375        | -2,874        | -2,965        | -2,971        |
| <b>5. Technical result (1-4)</b>  | <b>847</b>    | <b>569</b>    | <b>1,020</b>  | <b>364</b>    | <b>-2,057</b> | <b>740</b>    | <b>662</b>    |
| <b>6. Investment result</b>   | <b>1,311</b>  | <b>1,759</b>  | <b>1,796</b>  | <b>1,982</b>  | <b>1,589</b>  | <b>1,889</b>  | <b>2,151</b>  |
| Thereof:  |               |               |               |               |               |               |               |
| Income from associates and joint ventures accounted for using the equity method | 0             | 78            | 18            | 55            | 29            | 24            | 37            |
| <b>7. Insurance-related investment result</b>                                   | <b>120</b>    | <b>85</b>     | <b>-237</b>   | <b>146</b>    | <b>129</b>    | <b>12</b>     | <b>156</b>    |
| <b>8. Other operating income</b>  | <b>245</b>    | <b>187</b>    | <b>163</b>    | <b>264</b>    | <b>157</b>    | <b>171</b>    | <b>186</b>    |
| <b>9. Other operating expenses</b>  | <b>-227</b>   | <b>-193</b>   | <b>-216</b>   | <b>-258</b>   | <b>-218</b>   | <b>-213</b>   | <b>-234</b>   |
| <b>10. Deduction of income from technical interest</b>                          | <b>-1,255</b> | <b>-1,410</b> | <b>-1,242</b> | <b>-1,634</b> | <b>-1,331</b> | <b>-1,442</b> | <b>-1,969</b> |
| <b>11. Non-technical result (6-10)</b>  | <b>193</b>    | <b>428</b>    | <b>263</b>    | <b>500</b>    | <b>326</b>    | <b>417</b>    | <b>290</b>    |
| <b>12. Operating result (5+11)</b>  | <b>1,040</b>  | <b>997</b>    | <b>1,283</b>  | <b>864</b>    | <b>-1,732</b> | <b>1,156</b>  | <b>952</b>    |
| <b>13. Other non-operating result</b>   | <b>-272</b>   | <b>-151</b>   | <b>-194</b>   | <b>-266</b>   | <b>-243</b>   | <b>-264</b>   | <b>-153</b>   |
| <b>14. Impairment losses on goodwill</b>  | <b>-6</b>     | <b>0</b>      | <b>0</b>      | <b>-4</b>     | <b>-6</b>     | <b>0</b>      | <b>0</b>      |
| <b>15. Net finance costs</b>  | <b>-45</b>    | <b>-50</b>    | <b>-51</b>    | <b>-52</b>    | <b>-53</b>    | <b>-52</b>    | <b>-54</b>    |
| <b>16. Taxes on income</b>  | <b>-235</b>   | <b>-68</b>    | <b>-212</b>   | <b>-4</b>     | <b>597</b>    | <b>-108</b>   | <b>-188</b>   |
| <b>17. Consolidated result (12-16)</b>  | <b>483</b>    | <b>728</b>    | <b>827</b>    | <b>538</b>    | <b>-1,436</b> | <b>733</b>    | <b>557</b>    |
| Thereof:  |               |               |               |               |               |               |               |
| Attributable to Munich Reinsurance Company equity holders                       | 505           | 724           | 826           | 530           | -1,438        | 729           | 554           |
| Attributable to non-controlling interests                                       | -22           | 5             | 1             | 8             | 2             | 3             | 4             |
|   | €             | €             | €             | €             | €             | €             | €             |
| <b>Earnings per share</b>   | <b>3.41</b>   | <b>4.84</b>   | <b>5.49</b>   | <b>3.49</b>   | <b>-9.37</b>  | <b>4.71</b>   | <b>3.55</b>   |



## Statement of recognised income and expense

1 January to 30 September 2018

| €m   |        | Q1-3 2018     | Q1-3 2017     |
|--|--------|---------------|---------------|
| <b>Consolidated result</b>   |        | <b>2,038</b>  | <b>-146</b>   |
| Currency translation   |        |               |               |
| Gains (losses) recognised in equity  | 225    |               | -1,570        |
| Recognised in the consolidated income statement  | 0      |               | 0             |
| Unrealised gains and losses on investments   |        |               |               |
| Gains (losses) recognised in equity  | -1,092 |               | 318           |
| Recognised in the consolidated income statement  | -443   |               | -410          |
| Change resulting from equity method measurement  |        |               |               |
| Gains (losses) recognised in equity  | 17     |               | 1             |
| Recognised in the consolidated income statement  | 0      |               | 0             |
| Change resulting from cash flow hedges   |        |               |               |
| Gains (losses) recognised in equity  | 0      |               | -1            |
| Recognised in the consolidated income statement  | 0      |               | 0             |
| Other changes  | -1     |               | 6             |
| I. Items where income and expenses recognised directly in equity are reallocated to the consolidated income statement      | -1,293 |               | -1,655        |
| Remeasurements of defined benefit plans  | 78     |               | -35           |
| Other changes  | 0      |               | 0             |
| II. Items where income and expenses recognised directly in equity are not reallocated to the consolidated income statement | 78     |               | -35           |
| <b>Income and expense recognised directly in equity (I + II)</b>   |        | <b>-1,215</b> | <b>-1,690</b> |
| <b>Total recognised income and expense</b>   |        | <b>823</b>    | <b>-1,836</b> |
| Thereof:   |        |               |               |
| Attributable to Munich Reinsurance Company equity holders  |        | 846           | -1,842        |
| Attributable to non-controlling interests  |        | -23           | 6             |

## Statement of recognised income and expense

1 July to 30 September 2018

| €m   |      | Q3 2018    | Q3 2017       |
|--|------|------------|---------------|
| <b>Consolidated result</b>   |      | <b>483</b> | <b>-1,436</b> |
| Currency translation   |      |            |               |
| Gains (losses) recognised in equity  | 29   |            | -501          |
| Recognised in the consolidated income statement  | 0    |            | 0             |
| Unrealised gains and losses on investments   |      |            |               |
| Gains (losses) recognised in equity  | -176 |            | 7             |
| Recognised in the consolidated income statement  | 8    |            | -101          |
| Change resulting from equity method measurement  |      |            |               |
| Gains (losses) recognised in equity  | 6    |            | -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  | 0    |            | 2             |
| I. Items where income and expenses recognised directly in equity are reallocated to the consolidated income statement      | -134 |            | -611          |
| Remeasurements of defined benefit plans  | 69   |            | -43           |
| Other changes  | 0    |            | 0             |
| II. Items where income and expenses recognised directly in equity are not reallocated to the consolidated income statement | 69   |            | -43           |
| <b>Income and expense recognised directly in equity (I + II)</b>   |      | <b>-64</b> | <b>-653</b>   |
| <b>Total recognised income and expense</b>   |      | <b>418</b> | <b>-2,090</b> |
| Thereof:   |      |            |               |
| Attributable to Munich Reinsurance Company equity holders  |      | 444        | -2,091        |
| Attributable to non-controlling interests  |      | -26        | 2             |

## Group statement of changes in equity

|  | Issued capital | Capital reserve |
|--|----------------|-----------------|
| <b>€m</b>  |                |                 |
| <b>Balance at 31.12.2016</b>                     | <b>573</b>     | <b>6,845</b>    |
| 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                      | -16            | 0               |
| Retirement of own shares                         | 22             | 0               |
| <b>Balance at 30.9.2017</b>                      | <b>579</b>     | <b>6,845</b>    |
| <b>Balance at 31.12.2017</b>                     | <b>573</b>     | <b>6,845</b>    |
| 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                      | -13            | 0               |
| Retirement of own shares                         | 21             | 0               |
| <b>Balance at 30.9.2018</b>                      | <b>581</b>     | <b>6,845</b>    |

|  | Equity attributable to Munich Reinsurance Company<br>equity holders |                    |                                   |                                    |   | Non-controlling<br>interests | Total<br>equity |        |
|--|---|--------------------|-----------------------------------|------------------------------------|---|------------------------------|-----------------|--------|
|  | Retained earnings   |                    | Other reserves                    |                                    |   | Consolidated<br>result       |                 |        |
|  | Retained<br>earnings before<br>deduction of<br>own shares           | Treasury<br>shares | Unrealised<br>gains and<br>losses | Currency<br>translation<br>reserve | Remeasurement<br>gains/losses<br>from cash flow<br>hedges |                              |                 |        |
|  | 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   | -155                         | 9               | -146   |
|  | -71   | 0                  | -66                               | -1,565                             | 15  | 0                            | -3              | -1,690 |
|  | 0   | 0                  | 0                                 | -1,565                             | 0   | 0                            | -5              | -1,570 |
|  | 0   | 0                  | -91                               | 0                                  | 0   | 0                            | -1              | -92    |
|  | -39   | 0                  | 25                                | 0                                  | 15  | 0                            | 0               | 1      |
|  | 0   | 0                  | 0                                 | 0                                  | -1  | 0                            | 0               | -1     |
|  | -35   | 0                  | 0                                 | 0                                  | 0   | 0                            | 0               | -35    |
|  | 3   | 0                  | 0                                 | 0                                  | 0   | 0                            | 3               | 6      |
|  | -71   | 0                  | -66                               | -1,565                             | 15  | -155                         | 6               | -1,836 |
|  | -11   | 0                  | 0                                 | 0                                  | 0   | 0                            | -87             | -98    |
|  | 0   | 0                  | 0                                 | 0                                  | 0   | 0                            | 0               | 0      |
|  | 0   | 0                  | 0                                 | 0                                  | 0   | -1,333                       | -4              | -1,337 |
|  | 0   | -727               | 0                                 | 0                                  | 0   | 0                            | 0               | -743   |
|  | -1,002  | 980                | 0                                 | 0                                  | 0   | 0                            | 0               | 0      |
|  | 15,707  | -401               | 4,375                             | 631                                | 6   | -155                         | 184             | 27,770 |
|  | 15,703  | -668               | 4,811                             | 365                                | 7   | 375                          | 186             | 28,198 |
|  | -911  | 0                  | 0                                 | 0                                  | 0   | 911                          | 0               | 0      |
|  | 0   | 0                  | 0                                 | 0                                  | 0   | 2,054                        | -17             | 2,038  |
|  | 86  | 0                  | -1,526                            | 225                                | 7   | 0                            | -7              | -1,215 |
|  | 0   | 0                  | 0                                 | 225                                | 0   | 0                            | 0               | 225    |
|  | 0   | 0                  | -1,527                            | 0                                  | 0   | 0                            | -7              | -1,535 |
|  | 9   | 0                  | 1                                 | 0                                  | 7   | 0                            | 0               | 17     |
|  | 0   | 0                  | 0                                 | 0                                  | 0   | 0                            | 0               | 0      |
|  | 78  | 0                  | 0                                 | 0                                  | 0   | 0                            | 1               | 78     |
|  | -1  | 0                  | 0                                 | 0                                  | 0   | 0                            | 0               | -1     |
|  | 86  | 0                  | -1,526                            | 225                                | 7   | 2,054                        | -23             | 823    |
|  | 0   | 0                  | 0                                 | 0                                  | 0   | 0                            | 0               | -1     |
|  | 0   | 0                  | 0                                 | 0                                  | 0   | 0                            | 0               | 0      |
|  | 0   | 0                  | 0                                 | 0                                  | 0   | -1,286                       | -1              | -1,287 |
|  | 0   | -604               | 0                                 | 0                                  | 0   | 0                            | 0               | -617   |
|  | -1,000  | 979                | 0                                 | 0                                  | 0   | 0                            | 0               | 0      |
|  | 13,879  | -293               | 3,285                             | 590                                | 14  | 2,054                        | 162             | 27,117 |

## Condensed consolidated cash flow statement

1 January to 30 September 2018

| €m  | Q1-3 2018     | Q1-3 2017     |
|---|---------------|---------------|
| <b>Consolidated result</b>  | <b>2,038</b>  | <b>-146</b>   |
| Net change in technical provisions  | 2,973         | 5,449         |
| Change in deferred acquisition costs  | -78           | 80            |
| Change in deposits retained and accounts receivable and payable                                 | -1,026        | -1,123        |
| Change in other receivables and liabilities   | -292          | -1,351        |
| Gains and losses on the disposal of investments   | -1,094        | -1,441        |
| Change in securities at fair value through profit or loss                                       | -248          | 172           |
| Change in other balance sheet items   | 1             | -154          |
| Other non-cash income and expenses  | 815           | 435           |
| <b>I. Cash flows from operating activities</b>  | <b>3,089</b>  | <b>1,921</b>  |
| Change from losing control of consolidated subsidiaries   | 16            | 9             |
| Change from obtaining control of consolidated subsidiaries                                      | -161          | -48           |
| Change from the acquisition, sale and maturity of investments and insurance-related investments | -822          | 1,680         |
| Change from the acquisition and sale of investments for unit-linked life insurance contracts    | 233           | 61            |
| Other   | 186           | 102           |
| <b>II. Cash flows from investing activities</b>   | <b>-548</b>   | <b>1,804</b>  |
| Inflows from increases in capital and from non-controlling interests                            | 0             | 0             |
| Outflows to ownership interests and non-controlling interests                                   | -618          | -752          |
| Dividend payments   | -1,287        | -1,337        |
| Change from other financing activities  | -354          | -1,330        |
| <b>III. Cash flows from financing activities</b>  | <b>-2,259</b> | <b>-3,419</b> |
| <b>Cash flows for the financial year (I + II + III)<sup>1</sup></b>                             | <b>282</b>    | <b>306</b>    |
| Effect of exchange-rate changes on cash and cash equivalents                                    | 27            | -103          |
| Cash at the beginning of the financial year   | 3,625         | 3,353         |
| Cash at 30 September of the financial year  | 3,934         | 3,557         |
| Thereof:  |               |               |
| Cash not attributable to disposal group   | 3,754         | 3,557         |
| Cash attributable to disposal group   | 180           | 0             |

<sup>1</sup> Cash mainly comprises cash at banks.



## Selected notes to the consolidated financial statements

### Recognition and measurement

We prepared this quarterly report as at 30 September 2018 has been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by 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 mandatory for Munich Re for the first time for periods beginning on 1 January 2018. 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 2017 with the exception of the changes mentioned below. In accordance with the provisions 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.

Application of the following new or amended IFRSs was mandatory for the first time as of the 2018 financial year:

- IFRS 15 (5/2014), Revenue from Contracts with Customers
- Amendments to IFRS 2 (rev. 6/2016), Classification and Measurement of Share-based Payment Transactions
- Amendments to IFRS 4 (rev. 9/2016), application of IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- Amendments to IAS 40 (rev. 12/2016), Transfers of Investment Property
- Amendments published as part of the "Annual Improvements to IFRSs 2014-2016 Cycle", (12/2016):  
Amendments to IFRS 1, First-time Adoption of IFRS, and IAS 28, Investments in Associates and Joint Ventures
- IFRIC 22 (12/2016), Foreign Currency Transactions and Advance Consideration

With the exception of the amendments to IFRS 4, these have little or no material effects on Munich Re.

The amendments to IFRS 4 give insurance companies the option to postpone the first-time application of IFRS 9 until 2021, but requires evidence on the basis of the financial statements as at 31 December 2015 that most of the Group's activity is in insurance. Insurance business is considered "predominant" if at the time of measurement more than 90% of total liabilities were related to insurance business. As Munich Re has provided this evidence, we are making use of the option to postpone first-time application of IFRS 9.

In the segment balance sheet, the previous-year figures for intangible assets in the property-casualty reinsurance and life and health reinsurance segments were adjusted by €235m in Q2. This figure relates to an acquired portfolio that was transferred in 2016 to a Group company disclosed in the property-casualty reinsurance segment. As responsibility for managing the business affected rested and continues to rest with the life and health reinsurance segment, the portfolio is now disclosed in this segment and the previous year's figures have been adjusted accordingly.

Apollo Munich Health Insurance has been allocated to the ERGO Life and Health Germany segment in accordance with management responsibility. No adjustment to the previous-year figures pursuant to IFRS 8.29 has been made due to materiality reasons.

## Changes in the consolidated group

On 11 July 2018, via its subsidiary ERGO Group AG, Düsseldorf, Munich Re acquired 100% of the voting shares in Atena Usługi Informatyczne i Finansowe S.A. (Atena), Sopot, Poland. Atena offers innovative software products for the insurance sector specifically, and is a leading IT service provider on the Polish market. The Atena acquisition aims to support and systematically further ERGO Hestia's ambitious growth targets as an innovative, digital insurance provider in the Polish market.

On 30 August 2018, via its subsidiary MR RENT-Investment GmbH, Munich, Munich Re acquired 100% of the voting shares in the wind-park company, Eolus Vindpark Sex AB, Hässleholm, Sweden, from Eolus Vindpark Fem AB, Hässleholm, Sweden. Directly after the transaction, Eolus Vindpark Sex AB was renamed Wind Farm Jenasen AB. The company operates a completed wind farm that is connected to the power grid, and has a total installed capacity of 79 megawatts. The purchase price for the wind-park company is €106.3m and was settled in liquid funds. Revenues and the contribution to the consolidated result were immaterial for the period from 30 August 2018 to the reporting date. The wind farm was completed shortly before the companies were merged. Disclosures about what revenues and profit contribution would have been achieved had the companies been merged as at 1 January 2018 cannot be made due to a lack of data. Following an impairment test, the calculated goodwill totalling €6.3m that resulted from the transaction has been written off in full. The acquisition is part of our infrastructure investment strategy.

## Fair values of the assets and liabilities at the acquisition date

| €m  |            |
|---|------------|
| <b>Purchase price</b>                                   | <b>106</b> |
| <b>Assets acquired</b>                                  | <b>134</b> |
| Intangible assets                                       | 23         |
| Other investments                                       | 97         |
| Receivables <sup>1</sup>                                | 9          |
| Cash at bank, cheques and cash in hand                  | 0          |
| Deferred tax assets                                     | 4          |
| Other assets  | 0          |
| <b>Liabilities assumed</b>                              | <b>34</b>  |
| Other liabilities                                       | 29         |
| Deferred tax liabilities                                | 5          |
| 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 material defaults were expected at the acquisition date.

In December 2017, ERGO Group AG had reached an agreement with the Allianz Group regarding the sale of its legal protection subsidiary, D.A.S. Switzerland. The transaction was concluded in Q2 and D.A.S Switzerland was deconsolidated.

## 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.

We have identified five reportable segments:

- 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. Otherwise, income and expenses are shown after elimination of intra-Group transactions and shareholdings.

### Segment assets

| €m   | Reinsurance     |               |                   |               |
|--|-----------------|---------------|-------------------|---------------|
|  | Life and health |               | Property-casualty |               |
|  | 30.9.2018       | 31.12.2017    | 30.9.2018         | 31.12.2017    |
| <b>A. Intangible assets<sup>1</sup></b>                                | <b>343</b>      | <b>361</b>    | <b>2,056</b>      | <b>1,984</b>  |
| <b>B. Investments</b>  |                 |               |                   |               |
| I. Land and buildings, including buildings on third-party land         | 374             | 309           | 2,032             | 1,532         |
| II. Investments in affiliated companies, associates and joint ventures | 44              | 44            | 1,392             | 1,225         |
| Thereof:   |                 |               |                   |               |
| Associates and joint ventures accounted for using the equity method    | 27              | 28            | 1,333             | 1,164         |
| III. Loans   | 181             | 176           | 701               | 745           |
| IV. Other securities   |                 |               |                   |               |
| 1. Available for sale  | 19,868          | 20,675        | 50,727            | 51,883        |
| 2. At fair value through profit or loss                                | 115             | 75            | 571               | 378           |
|  | 19,983          | 20,751        | 51,298            | 52,261        |
| V. Deposits retained on assumed reinsurance                            | 3,666           | 3,759         | 2,082             | 1,870         |
| VI. Other investments  | 441             | 559           | 1,682             | 1,715         |
|  | <b>24,688</b>   | <b>25,597</b> | <b>59,187</b>     | <b>59,349</b> |
| <b>C. Insurance-related investments</b>                                | <b>721</b>      | <b>754</b>    | <b>111</b>        | <b>104</b>    |
| <b>D. Ceded share of technical provisions</b>                          | <b>766</b>      | <b>735</b>    | <b>2,683</b>      | <b>2,727</b>  |
| <b>E. Assets held for sale</b>   | <b>91</b>       | <b>0</b>      | <b>410</b>        | <b>0</b>      |
| <b>F. Other segment assets</b>   | <b>12,074</b>   | <b>9,208</b>  | <b>10,819</b>     | <b>9,520</b>  |
| <b>Total segment assets</b>  | <b>38,682</b>   | <b>36,655</b> | <b>75,267</b>     | <b>73,684</b> |

1 Previous year's figures adjusted owing to IAS 8; see "Recognition and measurement".

### Segment equity and liabilities

| €m  | Reinsurance     |               |                   |               |
|---|-----------------|---------------|-------------------|---------------|
|   | Life and health |               | Property-casualty |               |
|   | 30.9.2018       | 31.12.2017    | 30.9.2018         | 31.12.2017    |
| <b>A. Subordinated liabilities</b>  | <b>645</b>      | <b>785</b>    | <b>1,798</b>      | <b>1,993</b>  |
| <b>B. Gross technical provisions</b>  |                 |               |                   |               |
| I. Unearned premiums  | 308             | 295           | 7,397             | 6,034         |
| II. Provision for future policy benefits                                      | 10,902          | 10,825        | 26                | 26            |
| III. Provision for outstanding claims   | 8,765           | 8,694         | 46,269            | 45,004        |
| IV. Other technical provisions  | 280             | 320           | 235               | 373           |
|   | <b>20,255</b>   | <b>20,134</b> | <b>53,928</b>     | <b>51,437</b> |
| <b>C. Gross technical provisions for unit-linked life insurance contracts</b> | <b>0</b>        | <b>0</b>      | <b>0</b>          | <b>0</b>      |
| <b>D. Other provisions</b>  | <b>222</b>      | <b>231</b>    | <b>607</b>        | <b>607</b>    |
| <b>E. Liabilities related to assets held for sale</b>                         | <b>46</b>       | <b>0</b>      | <b>373</b>        | <b>0</b>      |
| <b>F. Other segment liabilities</b>   | <b>8,772</b>    | <b>6,842</b>  | <b>7,285</b>      | <b>7,480</b>  |
| <b>Total segment liabilities</b>  | <b>29,941</b>   | <b>27,991</b> | <b>63,991</b>     | <b>61,517</b> |

|  | ERGO                       |            |                              |            |               |            | Total     |            |
|--|----------------------------|------------|------------------------------|------------|---------------|------------|-----------|------------|
|  | Life and Health<br>Germany |            | Property-casualty<br>Germany |            | International |            | 30.9.2018 | 31.12.2017 |
|  | 30.9.2018                  | 31.12.2017 | 30.9.2018                    | 31.12.2017 | 30.9.2018     | 31.12.2017 |           |            |
|  | 167                        | 168        | 1,012                        | 961        | 194           | 215        | 3,771     | 3,689      |
|  | 2,919                      | 2,961      | 216                          | 200        | 117           | 119        | 5,658     | 5,121      |
|  | 429                        | 331        | 55                           | 72         | 490           | 544        | 2,409     | 2,216      |
|  | 379                        | 282        | 8                            | 24         | 473           | 513        | 2,220     | 2,010      |
|  | 51,947                     | 51,952     | 1,579                        | 1,593      | 271           | 236        | 54,678    | 54,702     |
|  | 51,545                     | 51,727     | 4,697                        | 4,409      | 15,369        | 15,151     | 142,207   | 143,845    |
|  | 1,104                      | 1,024      | 23                           | 14         | 450           | 488        | 2,263     | 1,979      |
|  | 52,649                     | 52,751     | 4,721                        | 4,423      | 15,819        | 15,638     | 144,470   | 145,824    |
|  | 43                         | 40         | 21                           | 21         | 0             | 1          | 5,812     | 5,690      |
|  | 1,275                      | 1,093      | 372                          | 435        | 152           | 207        | 3,922     | 4,009      |
|  | 109,262                    | 109,129    | 6,964                        | 6,743      | 16,849        | 16,745     | 216,950   | 217,562    |
|  | 5,325                      | 5,317      | 0                            | 0          | 3,181         | 3,488      | 9,339     | 9,664      |
|  | 15                         | 15         | 94                           | 78         | 617           | 615        | 4,175     | 4,169      |
|  | 14                         | 26         | 0                            | 0          | 393           | 92         | 908       | 118        |
|  | 6,898                      | 7,124      | 1,527                        | 1,429      | 2,890         | 3,239      | 34,208    | 30,520     |
|  | 121,680                    | 121,779    | 9,598                        | 9,210      | 24,124        | 24,394     | 269,352   | 265,722    |

|  | ERGO                       |            |                              |            |               |            | Total                        |            |         |
|--|----------------------------|------------|------------------------------|------------|---------------|------------|------------------------------|------------|---------|
|  | Life and Health<br>Germany |            | Property-casualty<br>Germany |            | International |            | 30.9.2018                    | 31.12.2017 |         |
|  | 30.9.2018                  | 31.12.2017 | 30.9.2018                    | 31.12.2017 | 30.9.2018     | 31.12.2017 |                              |            |         |
|  | 0                          | 0          | 0                            | 0          | 13            | 13         | 2,455                        | 2,790      |         |
|  | 257                        | 214        | 683                          | 468        | 1,809         | 1,846      | 10,455                       | 8,857      |         |
|  | 88,890                     | 87,774     | 429                          | 433        | 9,754         | 9,897      | 110,001                      | 108,956    |         |
|  | 2,870                      | 2,935      | 4,608                        | 4,483      | 2,864         | 2,849      | 65,377                       | 63,965     |         |
|  | 16,511                     | 17,846     | 101                          | 91         | 464           | 544        | 17,591                       | 19,174     |         |
|  | 108,527                    | 108,770    | 5,821                        | 5,475      | 14,892        | 15,137     | 203,424                      | 200,952    |         |
|  | 5,799                      | 5,809      | 0                            | 0          | 3,051         | 3,162      | 8,850                        | 8,971      |         |
|  | 1,662                      | 1,711      | 981                          | 935        | 1,023         | 1,023      | 4,496                        | 4,508      |         |
|  | 52                         | 3          | 0                            | 0          | 272           | 63         | 743                          | 65         |         |
|  | 4,223                      | 3,873      | 606                          | 664        | 1,382         | 1,378      | 22,268                       | 20,237     |         |
|  | 120,264                    | 120,166    | 7,408                        | 7,074      | 20,632        | 20,776     | 242,235                      | 237,524    |         |
|  |                            |            |                              |            |               |            | Equity                       | 27,117     | 28,198  |
|  |                            |            |                              |            |               |            | Total equity and liabilities | 269,352    | 265,722 |

Segment income statement 1.1.-30.9.2018

| €m  | Reinsurance     |               |                   |               |
|---|-----------------|---------------|-------------------|---------------|
|   | Life and health |               | Property-casualty |               |
|   | Q1-3 2018       | Q1-3 2017     | Q1-3 2018         | Q1-3 2017     |
| <b>Gross premiums written</b>   | <b>7,980</b>    | <b>10,246</b> | <b>15,701</b>     | <b>13,524</b> |
| 1. Net earned premiums  | 7,298           | 10,066        | 13,667            | 12,629        |
| 2. Income from technical interest   | 427             | 456           | 838               | 798           |
| 3. Net expenses for claims and benefits   | -5,829          | -8,376        | -8,762            | -10,694       |
| 4. Net operating expenses   | -1,534          | -1,913        | -4,550            | -4,114        |
| <b>5. Technical result (1-4)</b>  | <b>363</b>      | <b>232</b>    | <b>1,193</b>      | <b>-1,381</b> |
| 6. Investment result  | 727             | 661           | 1,306             | 1,436         |
| 7. Insurance-related investment result  | 20              | 25            | -14               | -91           |
| 8. Other operating result   | 66              | 7             | -48               | -86           |
| 9. Deduction of income from technical interest                                      | -427            | -456          | -838              | -798          |
| <b>10. Non-technical result (6-9)</b>   | <b>386</b>      | <b>238</b>    | <b>406</b>        | <b>462</b>    |
| <b>11. Operating result (5+10)</b>  | <b>749</b>      | <b>470</b>    | <b>1,599</b>      | <b>-919</b>   |
| 12. Other non-operating result, net finance costs and impairment losses of goodwill | -45             | -63           | -188              | -242          |
| 13. Taxes on income   | -101            | -110          | -336              | 494           |
| <b>14. Consolidated result (11-13)</b>  | <b>603</b>      | <b>297</b>    | <b>1,076</b>      | <b>-667</b>   |

Segment income statement 1.7.-30.9.2018

| €m  | Reinsurance     |              |                   |               |
|---|-----------------|--------------|-------------------|---------------|
|   | Life and health |              | Property-casualty |               |
|   | Q3 2018         | Q3 2017      | Q3 2018           | Q3 2017       |
| <b>Gross premiums written</b>   | <b>2,805</b>    | <b>3,322</b> | <b>5,761</b>      | <b>4,743</b>  |
| 1. Net earned premiums  | 2,482           | 3,232        | 4,807             | 4,219         |
| 2. Income from technical interest   | 142             | 143          | 299               | 265           |
| 3. Net expenses for claims and benefits   | -2,043          | -2,699       | -3,261            | -5,448        |
| 4. Net operating expenses   | -515            | -653         | -1,585            | -1,341        |
| <b>5. Technical result (1-4)</b>  | <b>67</b>       | <b>23</b>    | <b>261</b>        | <b>-2,306</b> |
| 6. Investment result  | 217             | 208          | 405               | 479           |
| 7. Insurance-related investment result  | 12              | 13           | 23                | 2             |
| 8. Other operating result   | 51              | -1           | -6                | -41           |
| 9. Deduction of income from technical interest                                      | -142            | -143         | -299              | -265          |
| <b>10. Non-technical result (6-9)</b>   | <b>137</b>      | <b>78</b>    | <b>124</b>        | <b>176</b>    |
| <b>11. Operating result (5+10)</b>  | <b>204</b>      | <b>102</b>   | <b>384</b>        | <b>-2,130</b> |
| 12. Other non-operating result, net finance costs and impairment losses of goodwill | -17             | -21          | -90               | -66           |
| 13. Taxes on income   | -28             | -21          | -143              | 671           |
| <b>14. Consolidated result (11-13)</b>  | <b>159</b>      | <b>59</b>    | <b>151</b>        | <b>-1,525</b> |

|  | ERGO                       |              |                              |              |               |              | Total         |               |
|--|----------------------------|--------------|------------------------------|--------------|---------------|--------------|---------------|---------------|
|  | Life and Health<br>Germany |              | Property-casualty<br>Germany |              | International |              | Q1-3 2018     | Q1-3 2017     |
|  | Q1-3 2018                  | Q1-3 2017    | Q1-3 2018                    | Q1-3 2017    | Q1-3 2018     | Q1-3 2017    |               |               |
|  | <b>6,911</b>               | <b>6,865</b> | <b>2,699</b>                 | <b>2,619</b> | <b>3,813</b>  | <b>3,750</b> | <b>37,104</b> | <b>37,004</b> |
|  | 6,865                      | 6,831        | 2,405                        | 2,373        | 3,522         | 3,413        | 33,758        | 35,312        |
|  | 2,400                      | 3,099        | 57                           | 57           | 185           | 333          | 3,908         | 4,742         |
|  | -7,607                     | -8,704       | -1,549                       | -1,519       | -2,416        | -2,606       | -26,163       | -31,899       |
|  | -1,128                     | -975         | -785                         | -788         | -1,071        | -1,020       | -9,067        | -8,810        |
|  | <b>530</b>                 | <b>250</b>   | <b>129</b>                   | <b>122</b>   | <b>221</b>    | <b>121</b>   | <b>2,436</b>  | <b>-656</b>   |
|  | 2,494                      | 3,130        | 98                           | 137          | 241           | 264          | 4,865         | 5,629         |
|  | -12                        | 215          | 0                            | 0            | -26           | 148          | -32           | 297           |
|  | -34                        | -35          | 4                            | -7           | -30           | -31          | -41           | -151          |
|  | -2,400                     | -3,099       | -57                          | -57          | -185          | -333         | -3,908        | -4,742        |
|  | <b>48</b>                  | <b>212</b>   | <b>45</b>                    | <b>73</b>    | <b>0</b>      | <b>48</b>    | <b>885</b>    | <b>1,032</b>  |
|  | <b>578</b>                 | <b>462</b>   | <b>173</b>                   | <b>196</b>   | <b>221</b>    | <b>168</b>   | <b>3,321</b>  | <b>377</b>    |
|  | -313                       | -292         | -151                         | -122         | -72           | -106         | -769          | -825          |
|  | -68                        | -61          | 17                           | -10          | -27           | -11          | -514          | 302           |
|  | <b>198</b>                 | <b>109</b>   | <b>40</b>                    | <b>63</b>    | <b>122</b>    | <b>52</b>    | <b>2,038</b>  | <b>-146</b>   |

|  | ERGO                       |              |                              |            |               |              | Total         |               |
|--|----------------------------|--------------|------------------------------|------------|---------------|--------------|---------------|---------------|
|  | Life and Health<br>Germany |              | Property-casualty<br>Germany |            | International |              | Q3 2018       | Q3 2017       |
|  | Q3 2018                    | Q3 2017      | Q3 2018                      | Q3 2017    | Q3 2018       | Q3 2017      |               |               |
|  | <b>2,278</b>               | <b>2,297</b> | <b>752</b>                   | <b>722</b> | <b>1,194</b>  | <b>1,195</b> | <b>12,790</b> | <b>12,279</b> |
|  | 2,282                      | 2,302        | 808                          | 802        | 1,169         | 1,143        | 11,548        | 11,698        |
|  | 718                        | 802          | 19                           | 19         | 77            | 102          | 1,255         | 1,331         |
|  | -2,261                     | -2,717       | -537                         | -535       | -756          | -814         | -8,857        | -12,213       |
|  | -367                       | -292         | -253                         | -254       | -380          | -334         | -3,099        | -2,874        |
|  | <b>372</b>                 | <b>95</b>    | <b>37</b>                    | <b>32</b>  | <b>110</b>    | <b>97</b>    | <b>847</b>    | <b>-2,057</b> |
|  | 638                        | 774          | 21                           | 38         | 30            | 89           | 1,311         | 1,589         |
|  | 76                         | 75           | 0                            | 0          | 10            | 39           | 120           | 129           |
|  | -7                         | -9           | -4                           | 0          | -16           | -11          | 18            | -61           |
|  | -718                       | -802         | -19                          | -19        | -77           | -102         | -1,255        | -1,331        |
|  | <b>-11</b>                 | <b>38</b>    | <b>-3</b>                    | <b>20</b>  | <b>-54</b>    | <b>14</b>    | <b>193</b>    | <b>326</b>    |
|  | <b>360</b>                 | <b>134</b>   | <b>34</b>                    | <b>52</b>  | <b>57</b>     | <b>111</b>   | <b>1,040</b>  | <b>-1,732</b> |
|  | -130                       | -118         | -57                          | -48        | -28           | -48          | -323          | -302          |
|  | -54                        | -19          | 5                            | -1         | -14           | -33          | -235          | 597           |
|  | <b>176</b>                 | <b>-3</b>    | <b>-18</b>                   | <b>3</b>   | <b>15</b>     | <b>30</b>    | <b>483</b>    | <b>-1,436</b> |

### Notes on determining the combined ratio<sup>1</sup>

| €m   | Reinsurance       |                |                              |               | ERGO  |               |      |
|--|-------------------|----------------|------------------------------|---------------|---|---------------|------|
|  | Property-casualty |                | Property-casualty<br>Germany |               | Property-casualty<br>International <sup>2</sup> |               |      |
|  | Q1-3 2018         | Q1-3 2017      | Q1-3 2018                    | Q1-3 2017     | Q1-3 2018                                       | Q1-3 2017     |      |
| Net earned premiums  | 13,667            | 12,629         | 2,405                        | 2,373         | 2,463   | 2,389         |      |
| Net expenses for claims and benefits   | -8,762            | -10,694        | -1,549                       | -1,519        | -1,542  | -1,542        |      |
| Net operating expenses   | -4,550            | -4,114         | -785                         | -788          | -800  | -741          |      |
| Loss-ratio calculation adjustments   | 9                 | -11            | 41                           | 15            | 9   | 2             |      |
| Fire brigade tax and other expenses  | 13                | 13             | 12                           | 10            | 20  | 21            |      |
| Expenses for premium refunds <sup>3</sup>  | 0                 | 0              | 15                           | 13            | 0   | 2             |      |
| Other underwriting income  | -4                | -24            | -2                           | -3            | -14   | -16           |      |
| Change in remaining technical provisions<br>and other underwriting expenses <sup>3</sup> | 0                 | 0              | 16                           | -5            | 4   | -4            |      |
| <b>Adjusted net expenses for claims and benefits</b>                                     | <b>-8,754</b>     | <b>-10,705</b> | <b>-1,508</b>                | <b>-1,503</b> | <b>-1,533</b>                                   | <b>-1,540</b> |      |
| Loss ratio   | in %              | 64.0           | 84.8                         | 62.7          | 63.3  | 62.2          | 64.5 |
| Combined ratio   | in %              | 97.3           | 117.3                        | 95.3          | 96.6  | 94.7          | 95.5 |

1 Information on the combined ratio is provided in the 2017 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<sup>1</sup>

| €m           | 30.9.2018     | 31.12.2017    |
|--------------|---------------|---------------|
| Germany      | 7,057         | 6,838         |
| USA          | 2,697         | 2,424         |
| UK           | 571           | 594           |
| France       | 401           | 402           |
| Sweden       | 371           | 268           |
| Poland       | 224           | 190           |
| Malta        | 216           | 235           |
| Italy        | 187           | 196           |
| Austria      | 179           | 195           |
| Netherlands  | 172           | 177           |
| Spain        | 148           | 150           |
| Belgium      | 130           | 129           |
| Switzerland  | 91            | 89            |
| Portugal     | 69            | 70            |
| Finland      | 65            | 65            |
| Lithuania    | 54            | 38            |
| Others       | 181           | 191           |
| <b>Total</b> | <b>12,813</b> | <b>12,251</b> |

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<sup>1</sup>

| €m                              | Q1-3 2018  | Q1-3 2017  |
|---------------------------------|------------|------------|
| Reinsurance - Life and health   | 84         | 40         |
| Reinsurance - Property-casualty | 536        | 132        |
| ERGO Life and Health Germany    | 34         | 690        |
| ERGO Property-casualty Germany  | 111        | 66         |
| ERGO International              | 39         | 43         |
| <b>Total</b>                    | <b>804</b> | <b>970</b> |

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

| €m  | Reinsurance     |           |                   |           |
|---|-----------------|-----------|-------------------|-----------|
|   | Life and health |           | Property-casualty |           |
|   | Q1-3 2018       | Q1-3 2017 | Q1-3 2018         | Q1-3 2017 |
| Interest income   | 516             | 540       | 798               | 840       |
| Interest expenses   | -8              | -10       | -23               | -18       |
| Depreciation and amortisation   | -46             | -29       | -82               | -104      |
| Other operating income  | 131             | 93        | 233               | 198       |
| Other operating expenses  | -65             | -85       | -281              | -284      |
| Income from associates and joint ventures accounted for using the equity method | -1              | 0         | 39                | 44        |



Gross premiums written

| €m                   | Q1-3 2018     | Q3 2018       | Q1-3 2017     | Q3 2017       |
|----------------------|---------------|---------------|---------------|---------------|
| Europe               | 20,669        | 6,760         | 19,622        | 6,462         |
| North America        | 9,980         | 3,614         | 11,787        | 3,961         |
| Asia and Australasia | 4,193         | 1,628         | 3,374         | 1,131         |
| Africa, Middle East  | 1,314         | 433           | 1,277         | 422           |
| Latin America        | 947           | 354           | 944           | 303           |
| <b>Total</b>         | <b>37,104</b> | <b>12,790</b> | <b>37,004</b> | <b>12,279</b> |

|  | ERGO                       |           |                              |           |               |           | Total     |           |
|--|----------------------------|-----------|------------------------------|-----------|---------------|-----------|-----------|-----------|
|  | Life and Health<br>Germany |           | Property-casualty<br>Germany |           | International |           | Q1-3 2018 | Q1-3 2017 |
|  | Q1-3 2018                  | Q1-3 2017 | Q1-3 2018                    | Q1-3 2017 | Q1-3 2018     | Q1-3 2017 |           |           |
|  | 2,191                      | 2,233     | 66                           | 65        | 262           | 262       | 3,832     | 3,940     |
|  | -26                        | -28       | -7                           | -7        | -12           | -11       | -76       | -73       |
|  | -39                        | -66       | -30                          | -37       | -51           | -58       | -248      | -295      |
|  | 72                         | 60        | 58                           | 54        | 101           | 109       | 594       | 515       |
|  | -106                       | -95       | -53                          | -61       | -130          | -140      | -635      | -666      |
|  | 42                         | 28        | 2                            | 2         | 13            | 16        | 95        | 90        |

## 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

| €m  | Goodwill     |              | Other intangible assets |              | Total        |              |
|---|--------------|--------------|-------------------------|--------------|--------------|--------------|
|   | Q1-3 2018    | Q1-3 2017    | Q1-3 2018               | Q1-3 2017    | Q1-3 2018    | Q1-3 2017    |
| Gross carrying amount at 31 Dec. previous year                                | 4,134        | 4,358        | 4,243                   | 4,277        | 8,377        | 8,635        |
| Accumulated amortisation and impairment losses at 31 Dec. previous year       | -1,550       | -1,541       | -3,137                  | -2,974       | -4,687       | -4,515       |
| Carrying amount at 31 Dec. previous year                                      | 2,584        | 2,817        | 1,105                   | 1,303        | 3,689        | 4,120        |
| Currency translation differences  | 52           | -192         | 5                       | -50          | 57           | -242         |
| Additions   | 45           | 1            | 134                     | 78           | 179          | 79           |
| Disposals   | 0            | -8           | -5                      | -7           | -5           | -15          |
| Reclassifications   | 0            | 0            | -7                      | 0            | -7           | 0            |
| Impairment losses reversed  | 0            | 0            | 0                       | 0            | 0            | 0            |
| Impairment losses   | -6           | -6           | -135                    | -184         | -141         | -190         |
| <b>Carrying amount at 30 September financial year</b>                         | <b>2,675</b> | <b>2,612</b> | <b>1,097</b>            | <b>1,141</b> | <b>3,771</b> | <b>3,753</b> |
| Accumulated amortisation and impairment losses at 30 September financial year | -1,556       | -1,547       | -3,140                  | -3,090       | -4,696       | -4,637       |
| Gross carrying amount at 30 September financial year                          | 4,231        | 4,159        | 4,237                   | 4,231        | 8,468        | 8,390        |

### 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 or 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 assets when market prices are not available.

Valuation techniques for assets

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

| Bonds with embedded derivatives  | Pricing method           | Parameters   | Pricing model  |
|--|--------------------------|--|--|
| Callable bonds   | Theoretical price        | Money-market/swap interest-rate curve<br>Issuer-specific spreads<br>Volatility matrix  | Hull-White model   |
| CMS floaters   | Theoretical price        | Money-market/swap interest-rate curve<br>Issuer-specific spreads<br>Volatility matrix  | Hull-White model   |
| Zero-to-coupon switchable bonds  | Theoretical price        | Money-market/swap interest-rate curve<br>Issuer-specific spreads<br>Volatility matrix  | Hull-White model   |
| CMS floaters with variable cap   | Theoretical price        | OIS/swap interest-rate curve<br>Issuer-specific spreads<br>Volatility skew   | Replication model (Hagan)                                |
| Inverse CMS floaters   | Theoretical price        | OIS/swap interest-rate curve<br>Issuer-specific spreads<br>Volatility skew   | Replication model (Hagan)                                |
| CMS steepeners   | Theoretical price        | OIS/swap interest-rate curve<br>Issuer-specific spreads<br>Volatility skew<br>Correlation matrix   | Replication model (Hagan)<br>Stochastic volatility model |
| Convergence bonds  | Theoretical price        | Money-market/swap interest-rate curves<br>Issuer-specific spreads<br>Volatility matrix<br>Correlation matrix                                 | Replication model (Hagan)<br>Stochastic volatility model |
| Multi-tranches   | Theoretical price        | At-the-money volatility matrix and skew<br>Swap curve<br>Money-market interest-rate curve<br>Sector-, rating- or issuer-specific yield curve | Bachelier/<br>Normal Black,<br>Present-value method      |
| FIS loans against borrower's note  | Theoretical price        | At-the-money volatility matrix and skew<br>Swap curve<br>Money-market interest-rate curve<br>Sector-, rating- or issuer-specific yield curve | Bachelier/<br>Normal Black,<br>Present-value method      |
| Swaption notes   | Theoretical price        | At-the-money volatility matrix and skew<br>Swap curve<br>Money-market interest-rate curve<br>Sector-, rating- or issuer-specific yield curve | Bachelier/<br>Normal Black,<br>Present-value method      |
| Funds  | Pricing method           | Parameters   | Pricing model  |
| Real estate funds  | -                        | -  | Net asset value  |
| Alternative investment funds<br>(e.g. private equity, infrastructure,<br>forestry) | -                        | -  | Net asset value  |
| Other  | Pricing method           | Parameters   | Pricing model  |
| Real estate  | Theoretical market price | Interest-rate curve<br>Market rents  | Present-value method or<br>valuation                     |
| Alternative direct investments<br>(e.g. infrastructure, forestry)                  | Theoretical market price | Interest-rate curve (among others)<br>Electricity price forecast and<br>inflation forecast   | Present-value method or<br>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 measuring 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 usually range between 0.5% and 50%, depending on the specific insurance product and current situation of the capital markets. Compared with the market risk inputs relevant for calculating fair values, the effects of an increase or decrease in lapse rates on the fair value would be immaterial. The assumptions with regard to mortality are based on published mortality tables, which are adjusted with a view to the target markets and the actuaries' expectations. The impact of these and other non-observable assumptions is not material. The dependency between different capital market parameters is modelled ↗

by correlation matrices. 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 September 2018, around 13% of the investments measured at fair value were allocated to Level 1 of the fair value hierarchy, 82% to Level 2 and 5% to Level 3.

As part of the review process in Q3, we examined the level allocation of our investments. No changes to level allocation were made. The minor transfer amounts relating to Level 3 of the fair value hierarchy are adjustments to our Group requirements.

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

| €m  |               |                |              | 30.9.2018      |
|---|---------------|----------------|--------------|----------------|
|   | Level 1       | Level 2        | Level 3      | Total          |
| Investments in affiliated companies measured at fair value          | 0             | 0              | 158          | 158            |
| Investments in associates and joint ventures measured at fair value | 0             | 0              | 32           | 32             |
| Other securities available for sale                                 |               |                |              |                |
| Fixed-interest  | 279           | 120,535        | 3,242        | 124,056        |
| Non-fixed-interest  | 13,634        | 1,267          | 3,250        | 18,151         |
| Other securities at fair value through profit or loss               |               |                |              |                |
| Held for trading, and hedging derivatives <sup>1</sup>              | 292           | 1,651          | 7            | 1,950          |
| Designated as at fair value through profit or loss                  | 180           | 150            | 2            | 333            |
| Other investments   | 0             | 10             | 36           | 46             |
| Insurance-related investments                                       | 5,511         | 3,477          | 344          | 9,332          |
| <b>Total</b>  | <b>19,896</b> | <b>127,090</b> | <b>7,070</b> | <b>154,057</b> |

| →   | 31.12.2017    |                |              |                |
|---|---------------|----------------|--------------|----------------|
| €m  | Level 1       | Level 2        | Level 3      | Total          |
| Investments in affiliated companies measured at fair value          | 0             | 0              | 171          | 171            |
| Investments in associates and joint ventures measured at fair value | 0             | 0              | 34           | 34             |
| Other securities available for sale                                 |               |                |              |                |
| Fixed-interest  | 290           | 123,521        | 2,675        | 126,486        |
| Non-fixed-interest  | 13,540        | 959            | 2,860        | 17,359         |
| Other securities at fair value through profit or loss               |               |                |              |                |
| Held for trading, and hedging derivatives <sup>1</sup>              | 224           | 1,424          | 2            | 1,649          |
| Designated as at fair value through profit or loss                  | 187           | 169            | 0            | 357            |
| Other investments   | 0             | 10             | 36           | 46             |
| Insurance-related investments                                       | 5,622         | 3,738          | 304          | 9,664          |
| <b>Total</b>  | <b>19,862</b> | <b>129,822</b> | <b>6,082</b> | <b>155,766</b> |

1 Including hedging derivatives of €20m (27m) 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<br>companies measured at<br>fair value | Investments in associates<br>and joint ventures<br>measured at fair value |
|---|--|---|
| €m  | Q1-3 2018  | Q1-3 2018   |
| Carrying amount at 31 Dec. previous year  | 171  | 34  |
| Gains and losses  | -1   | 1   |
| Gains (losses) recognised in the income statement   | 3  | 0   |
| Gains (losses) recognised in equity   | -4   | 1   |
| Acquisitions  | 9  | 18  |
| Disposals   | -9   | -22   |
| Transfer to Level 3   | 1  | 0   |
| Transfer out of Level 3   | -14  | 0   |
| Change in the fair value of derivatives   | 0  | 0   |
| <b>Carrying amount at 30 September financial year</b>   | <b>158</b>   | <b>32</b>   |
| Gains (losses) recognised in the income statement that are attributable to investments shown at 30 September financial year | -1   | 0   |

Continued on next page



| €m  | Other securities available for sale |                    |
|---|-------------------------------------|--------------------|
|   | Fixed-interest                      | Non-fixed-interest |
|   | Q1-3 2018                           | Q1-3 2018          |
| Carrying amount at 31 Dec. previous year  | 2,675                               | 2,860              |
| Gains and losses  | -38                                 | 70                 |
| Gains (losses) recognised in the income statement   | -13                                 | -14                |
| Gains (losses) recognised in equity   | -25                                 | 84                 |
| Acquisitions  | 1,250                               | 543                |
| Disposals   | -645                                | -224               |
| Transfer to Level 3   | 0                                   | 1                  |
| Transfer out of Level 3   | 0                                   | 0                  |
| Change in the fair value of derivatives   | 0                                   | 0                  |
| <b>Carrying amount at 30 September financial year</b>   | <b>3,242</b>                        | <b>3,250</b>       |
| Gains (losses) recognised in the income statement that are attributable to investments shown at 30 September financial year | -12                                 | -14                |



| €m  | Designated as at fair value | Held for trading,       | Other       |
|---|-----------------------------|-------------------------|-------------|
|   | through profit or loss      | and hedging derivatives | investments |
|   | Q1-3 2018                   | Q1-3 2018               | Q1-3 2018   |
| Carrying amount at 31 Dec. previous year  | 0                           | 2                       | 36          |
| Gains and losses  | 0                           | 0                       | 0           |
| Gains (losses) recognised in the income statement   | 0                           | 0                       | 0           |
| Gains (losses) recognised in equity   | 0                           | 0                       | 0           |
| Acquisitions  | 2                           | 5                       | 0           |
| Disposals   | 0                           | 0                       | 0           |
| Transfer to Level 3   | 0                           | 0                       | 0           |
| Transfer out of Level 3   | 0                           | 0                       | 0           |
| Change in the fair value of derivatives   | 0                           | 0                       | 0           |
| <b>Carrying amount at 30 September financial year</b>   | <b>2</b>                    | <b>7</b>                | <b>36</b>   |
| Gains (losses) recognised in the income statement that are attributable to investments shown at 30 September financial year | 0                           | 0                       | 0           |



| €m  | Insurance-related | Total        |
|---|-------------------|--------------|
|   | investments       |              |
|   | Q1-3 2018         | Q1-3 2018    |
| Carrying amount at 31 Dec. previous year  | 304               | 6,082        |
| Gains and losses  | 117               | 150          |
| Gains (losses) recognised in the income statement   | 110               | 86           |
| Gains (losses) recognised in equity   | 7                 | 63           |
| Acquisitions  | 17                | 1,843        |
| Disposals   | -94               | -993         |
| Transfer to Level 3   | 0                 | 2            |
| Transfer out of Level 3   | 0                 | -14          |
| Change in the fair value of derivatives   | 0                 | 0            |
| <b>Carrying amount at 30 September financial year</b>   | <b>344</b>        | <b>7,070</b> |
| Gains (losses) recognised in the income statement that are attributable to investments shown at 30 September financial year | 93                | 66           |

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

|                                 | 30.9.2018          | 31.12.2017         |
|---------------------------------|--------------------|--------------------|
| Number of shares in circulation | 147,898,416        | 151,259,431        |
| Number of treasury shares       | 1,640,061          | 3,768,477          |
| <b>Total</b>                    | <b>149,538,477</b> | <b>155,027,908</b> |

## Subordinated liabilities

### Breakdown of subordinated liabilities

| €m  | A.M.<br>Best | Fitch | Moody's | S&P | 30.9.2018    | 31.12.2017   |
|---|--------------|-------|---------|-----|--------------|--------------|
| Munich Reinsurance Company, Munich, 6.25% until 2022, thereafter floating, €900m, Bonds 2012/2042   | a+           | A     | -       | A   | 897          | 896          |
| Munich Reinsurance Company, Munich, 6.625% until 2022, thereafter floating, €450m, Bonds 2012/2042  | a+           | A     | -       | A   | 504          | 506          |
| Munich Reinsurance Company, Munich, 6.00% until 2021, thereafter floating, €1,000m, Bonds 2011/2041   | a+           | A     | -       | A   | 996          | 995          |
| Munich Reinsurance Company, Munich, 7.625% until 2018, thereafter floating, £300m <sup>1</sup> , Bonds 2003/2028  | -            | -     | -       | -   | 0            | 338          |
| ERGO Versicherung Aktiengesellschaft, Vienna, secondary market yield on federal government bonds (Austria) +70 BP, €6m, Registered bonds 2001/perpetual | -            | -     | -       | -   | 6            | 6            |
| ERGO Versicherung Aktiengesellschaft, Vienna, secondary market yield on federal government bonds (Austria) +70 BP, €7m, Registered bonds 1998/perpetual | -            | -     | -       | -   | 7            | 7            |
| HSB Group Inc., Delaware, LIBOR +91 BP, US\$ 76m, Bonds 1997/2027   | -            | -     | -       | -   | 45           | 42           |
| <b>Total</b>  |              |       |         |     | <b>2,455</b> | <b>2,790</b> |

<sup>1</sup> In the second quarter of 2018, the issuer redeemed the whole bond.

The fair value of the subordinated liabilities at the balance sheet date amounted to €2,838m (3,309m). 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 present value methods with observable market inputs.



## Liabilities

### Breakdown of bonds and notes issued

| €m  | A.M.<br>Best | Fitch | Moody's | S&P | 30.9.2018  | 31.12.2017 |
|---|--------------|-------|---------|-----|------------|------------|
| Munich Re America Corporation, Wilmington, 7.45%, US\$ 334m, Senior Notes 1996/2026 | a            | A+    | A2      | A-  | 287        | 277        |
| <b>Total</b>  |              |       |         |     | <b>287</b> | <b>277</b> |

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 €348m (354m). ↗

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

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

| €m                |         |         |         | 30.9.2018 |         |         |         | 31.12.2017 |
|-------------------|---------|---------|---------|-----------|---------|---------|---------|------------|
|                   | Level 1 | Level 2 | Level 3 | Total     | Level 1 | Level 2 | Level 3 | Total      |
| Other liabilities |         |         |         |           |         |         |         |            |
| Derivatives       | 101     | 904     | 509     | 1,514     | 32      | 881     | 471     | 1,385      |

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

| €m   | Other liabilities at fair value through profit or loss Q1-3 2018 |
|--|--|
| Carrying amount at 31 Dec. previous year   | 471  |
| Gains and losses   | 13   |
| Gains (losses) recognised in the consolidated income statement   | 27   |
| Gains (losses) recognised in equity  | -14  |
| Acquisitions   | 146  |
| Disposals  | -95  |
| Transfer to Level 3  | 0  |
| Transfer out of Level 3  | 0  |
| Change in the fair value of derivatives  | 0  |
| <b>Carrying amount at 30 September financial year</b>  | <b>509</b>   |
| Gains (losses) recognised in the consolidated income statement that are attributable to liabilities shown at 30 September financial year | 39   |

## Notes to the consolidated income statement

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

### Premiums

| €m  | Q1-3 2018     | Q3 2018       | Q1-3 2017     | Q3 2017       |
|---|---------------|---------------|---------------|---------------|
| Gross premiums written                    | 37,104        | 12,790        | 37,004        | 12,279        |
| Change in gross unearned premiums         | -1,718        | -587          | -541          | -163          |
| <b>Gross earned premiums</b>              | <b>35,385</b> | <b>12,203</b> | <b>36,463</b> | <b>12,115</b> |
| Ceded premiums written                    | -1,725        | -634          | -1,212        | -410          |
| Change in unearned premiums – Ceded share | 98            | -22           | 61            | -7            |
| <b>Earned premiums ceded</b>              | <b>-1,627</b> | <b>-655</b>   | <b>-1,151</b> | <b>-417</b>   |
| <b>Net earned premiums</b>                | <b>33,758</b> | <b>11,548</b> | <b>35,312</b> | <b>11,698</b> |

### Expenses for claims and benefits

| €m  | Q1-3 2018      | Q3 2018       | Q1-3 2017      | Q3 2017        |
|---|----------------|---------------|----------------|----------------|
| <b>Gross</b>  |                |               |                |                |
| Claims and benefits paid                              | -24,520        | -8,314        | -24,165        | -8,507         |
| Changes in technical provisions                       |                |               |                |                |
| Provision for future policy benefits                  | -533           | -286          | -791           | -243           |
| Provision for outstanding claims                      | -1,212         | -716          | -6,461         | -3,797         |
| Provision for premium refunds                         | -574           | 157           | -1,531         | -416           |
| Other technical result                                | -104           | -49           | -258           | -149           |
| <b>Gross expenses for claims and benefits</b>         | <b>-26,943</b> | <b>-9,208</b> | <b>-33,206</b> | <b>-13,112</b> |
| <b>Ceded share</b>                                    |                |               |                |                |
| Claims and benefits paid                              | 466            | 255           | 681            | 211            |
| Changes in technical provisions                       |                |               |                |                |
| Provision for future policy benefits                  | 267            | 108           | -18            | -3             |
| Provision for outstanding claims                      | 45             | -7            | 655            | 693            |
| Provision for premium refunds                         | 1              | 0             | 1              | 0              |
| Other technical result                                | 2              | -5            | -11            | -2             |
| <b>Expenses for claims and benefits – Ceded share</b> | <b>780</b>     | <b>351</b>    | <b>1,307</b>   | <b>899</b>     |
| <b>Net</b>  |                |               |                |                |
| Claims and benefits paid                              | -24,054        | -8,060        | -23,485        | -8,295         |
| Changes in technical provisions                       |                |               |                |                |
| Provision for future policy benefits                  | -266           | -178          | -809           | -246           |
| Provision for outstanding claims                      | -1,168         | -723          | -5,806         | -3,104         |
| Provision for premium refunds                         | -573           | 157           | -1,530         | -416           |
| Other technical result                                | -102           | -54           | -269           | -151           |
| <b>Net expenses for claims and benefits</b>           | <b>-26,163</b> | <b>-8,857</b> | <b>-31,899</b> | <b>-12,213</b> |

### Operating expenses

| €m   | Q1-3 2018     | Q3 2018       | Q1-3 2017     | Q3 2017       |
|--|---------------|---------------|---------------|---------------|
| Acquisition costs, profit commission and reinsurance commission paid   | -7,559        | -2,587        | -6,889        | -2,393        |
| Administrative expenses  | -2,226        | -717          | -2,193        | -704          |
| Change in deferred acquisition costs and contingent commissions, amortisation and impairment losses on acquired insurance portfolios | 322           | 59            | 29            | 140           |
| <b>Gross operating expenses</b>  | <b>-9,462</b> | <b>-3,245</b> | <b>-9,053</b> | <b>-2,956</b> |
| Ceded share of acquisition costs, profit commission and reinsurance commission paid  | 482           | 172           | 232           | 124           |
| Ceded share of change in deferred acquisition costs and contingent commissions   | -86           | -27           | 11            | -42           |
| <b>Operating expenses - Ceded share</b>  | <b>396</b>    | <b>146</b>    | <b>243</b>    | <b>82</b>     |
| <b>Net operating expenses</b>  | <b>-9,067</b> | <b>-3,099</b> | <b>-8,810</b> | <b>-2,874</b> |

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

| €m  | Q1-3 2018    | Q3 2018      | Q1-3 2017    | Q3 2017      |
|---|--------------|--------------|--------------|--------------|
| Land and buildings, including buildings on third-party land     | 375          | 135          | 218          | 63           |
| Investments in affiliated companies                             | -58          | -81          | -12          | -9           |
| Investments in associates and joint ventures                    | 96           | 0            | 90           | 29           |
| Loans   | 1,607        | 474          | 2,172        | 484          |
| Other securities available for sale                             |              |              |              |              |
| Fixed-interest  | 2,397        | 742          | 2,526        | 840          |
| Non-fixed-interest  | 636          | 37           | 1,129        | 195          |
| Other securities at fair value through profit or loss           |              |              |              |              |
| Held for trading  |              |              |              |              |
| Fixed-interest  | 0            | 0            | 0            | 0            |
| Non-fixed-interest  | -1           | 3            | 5            | 1            |
| Derivatives   | 87           | 92           | -334         | 59           |
| Designated as at fair value through profit or loss              |              |              |              |              |
| Fixed-interest  | 4            | 1            | -2           | 2            |
| Non-fixed-interest  | 5            | 6            | 23           | 4            |
| Deposits retained on assumed reinsurance, and other investments | 139          | 39           | 200          | 57           |
| Expenses for the management of investments, other expenses      | -421         | -138         | -387         | -137         |
| <b>Total</b>  | <b>4,865</b> | <b>1,311</b> | <b>5,629</b> | <b>1,589</b> |

### Result from insurance-related investments

| €m   | Q1-3 2018  | Q3 2018    | Q1-3 2017  | Q3 2017    |
|--|------------|------------|------------|------------|
| Investments for unit-linked life insurance contracts | -36        | 84         | 360        | 113        |
| Other insurance-related investments                  | 4          | 36         | -63        | 15         |
| <b>Total</b>   | <b>-32</b> | <b>120</b> | <b>297</b> | <b>129</b> |

### Other operating result

| €m                                    | Q1-3 2018 | Q3 2018 | Q1-3 2017 | Q3 2017 |
|---------------------------------------|-----------|---------|-----------|---------|
| Other operating income                | 594       | 245     | 515       | 157     |
| Thereof:                              |           |         |           |         |
| Interest and similar income           | 81        | 33      | 70        | 19      |
| Write-ups of other operating assets   | 96        | 82      | 6         | 0       |
| Other operating expenses              | -635      | -227    | -666      | -218    |
| Thereof:                              |           |         |           |         |
| Interest and similar charges          | -69       | -24     | -66       | -30     |
| Write-downs of other operating assets | -18       | -5      | -20       | -4      |

Other operating income for the first nine months mainly comprises income of €336m (379m) from services rendered, interest income of €21m (29m), income of €47m (22m) from the release/reduction of miscellaneous provisions and provisions for bad and doubtful debts, and income of €96m (18m) from owner-occupied property, some of which is also leased out.

In addition to expenses of €313m (305m) for services rendered, other operating expenses chiefly include ↗

interest charges of €59m (65m) and other tax of €85m (106m). They also contain expenses of €10m (9m) for owner-occupied property, some of which is also leased out.

The other operating result includes the result from business without sufficient risk transfer totalling €55m (41m), of which €57m (39m) derives from the life and health reinsurance segment.

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

| €m                            | Q1-3 2018 | Q3 2018 | Q1-3 2017 | Q3 2017 |
|-------------------------------|-----------|---------|-----------|---------|
| Other non-operating result    | -616      | -272    | -659      | -243    |
| Impairment losses on goodwill | -6        | -6      | -6        | -6      |
| Net finance costs             | -146      | -45     | -160      | -53     |

The other non-operating result is unrelated to the conclusion, administration or settlement of insurance contracts or the administration of investments. In the first nine months of the year, it essentially comprises a foreign-currency result of -€154m (-293m) and restructuring expenses of €61m (11m).

## Other information

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

In Q3, Munich Reinsurance Company, Munich, decided to sell MSP Underwriting Ltd., London, including its Beaufort subsidiaries. This company and its operational units write insurance business in the London Lloyd's market. The buyer is Cincinnati Financial Corporation, Cincinnati, Ohio, USA. The purpose of the sale is our sharpened focus in the Lloyd's market. The sale is to be concluded in Q1 2019 and is subject to the approval of the supervisory authorities and the Lloyd's regulator. We expect the departure of the companies from the consolidated group to bolster our consolidated result by a high single-digit million euro sum.

In Q3, ERGO Group AG also decided to sell its life subsidiary ERGO Russia Life. A purchase agreement was signed with Rosgosstrakh, Moscow, in October 2018. The transaction is subject to approval by the competent authorities. Furthermore, in Q3 ERGO Group AG decided to sell the shares held by DAS Legal Finance B.V., Amsterdam, in their Dutch subsidiaries Van Arkel Gerechtsdeurwaarders B.V., Leiden, Landelijke Associatie Van Gerechtsdeurwaarders B.V., Groningen, and Bos Incasso B.V., Groningen. The transactions by ERGO are part of our strategy to optimise the international business activities. We have set up a provision in the mid double-digit million euro range for the anticipated disposal losses.

As at 30 September 2018, the assets held for sale and the liabilities related to these assets comprise the UK group life specialist Ellipse, which we classified as a disposal group in the previous quarter.

### Non-current assets and disposal groups held for sale

| €m  | 30.9.2018  | 31.12.2017 |
|---|------------|------------|
| <b>Assets</b>   |            |            |
| Land and buildings, including buildings on third-party land | 0          | 22         |
| Other securities available for sale                         | 236        | 75         |
| Other investments   | 11         | 3          |
| Other assets of the disposal group                          | 660        | 17         |
| <b>Total assets</b>   | <b>908</b> | <b>118</b> |
| <b>Liabilities</b>  |            |            |
| Gross technical provisions                                  | 496        | 57         |
| Other liabilities of the disposal group                     | 247        | 8          |
| <b>Total liabilities</b>                                    | <b>743</b> | <b>65</b>  |

### 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 September 2018 totalled 19,188 (19,960) in Germany and 22,971 (22,450) in other countries.

### Breakdown of number of staff

|              | 30.9.2018     | 31.12.2017    |
|--------------|---------------|---------------|
| Reinsurance  | 12,164        | 12,117        |
| ERGO         | 29,995        | 30,293        |
| <b>Total</b> | <b>42,159</b> | <b>42,410</b> |

### Contingent liabilities, other financial commitments

In comparison with the situation at 31 December 2017, contingent liabilities and other 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 <sup>7</sup>

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

|   |    | Q1-3 2018   | Q3 2018     | Q1-3 2017   | Q3 2017     |
|---|----|-------------|-------------|-------------|-------------|
| Consolidated result attributable to Munich Reinsurance Company equity holders | €m | 2,054       | 505         | -155        | -1,438      |
| Weighted average number of outstanding shares                                 |    | 149,329,399 | 148,239,187 | 154,764,772 | 153,493,258 |
| Earnings per share  | €  | 13.76       | 3.41        | -1.00       | -9.37       |

## Events after the balance sheet date

On 25 October 2018, via its subsidiary HSB Group Inc., Wilmington, Delaware, USA, Munich Re acquired an additional 83.7% of the voting shares in Relayr Inc., Wilmington, Delaware, USA (Relayr). This raised Munich Re's holding to a total of 100%, and thus Munich Re obtained control of Relayr and its 100% own subsidiaries. Relayr GmbH, Pullach i. Isartal, Germany  
Relayr Ltd., Watford, United Kingdom  
Proximetry LLC, Delaware, USA  
Proximetry Poland Sp. z.o.o., Katowice, Poland  
Neokami Inc. Delaware, USA  
Neokami GmbH, Munich, Germany

The provisional purchase price for 83.7% of the shares amounts to €189m, subject to adjustments mainly in the acquired net funds and net working capital, and will be settled with liquid funds.

Relayr is an Internet of Things (IoT) company providing enterprise IoT software, hardware and professional services solutions for commercial and industrial players across a wide range of sectors. The investment strengthens Munich Re's IoT activities, which began in 2014 when the Group started building solutions, acquiring IoT technology providers and establishing partnerships with leading IoT players.

The fair value of Munich Re's equity interest in Relayr immediately before the acquisition was €46m.

The transaction results in goodwill totalling €224m, which is largely based on Relayr's employee know-how and expected synergies with the Group's other IoT product offerings and is not expected to be tax-deductible. Within the acquisition, agreements on remuneration for future services were concluded with regard to previous shareholders, who will continue to be employed by Relayr. These remuneration obligations will be recognised as other liabilities in the consolidated balance sheet.

The provisional purchase price for 100% of the shares and the fair values of the assets and liabilities at the time of acquisition are as follows:

## Fair values of the assets and liabilities at the acquisition date

| €m                                     |            |
|--|------------|
| <b>Purchase price</b>                  | <b>235</b> |
| <b>Assets acquired</b>                 | <b>15</b>  |
| Intangible assets                      | 1          |
| Receivables <sup>1</sup>               | 1          |
| Cash at bank, cheques and cash in hand | 12         |
| Other assets                           | 1          |
| <b>Liabilities assumed</b>             | <b>4</b>   |
| Other provisions and liabilities       | 4          |

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

After the balance sheet date, two severe natural catastrophes occurred. We expect claims expenditure of around €150m for the devastation caused by Typhoon Trami in the Japanese capital of Tokyo at the beginning of October. Hurricane Michael, which heavily hit the northwestern part of the US state of Florida in October, is likely to cost us in the order of €200m or slightly more.

Drawn up and released for publication, Munich, 6 November 2018.

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 to 30 September 2018, that are part of the quarterly financial report according to Section 115 of the German Securities Trading Act (WpHG). The preparation of the condensed interim consolidated financial statements in accordance with International Accounting Standard IAS 34, Interim financial reporting, as adopted by the EU, and IAS 34, Interim financial reporting, as issued by the International Accounting Standards Board (IASB), 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 IAS 34, Interim financial reporting, as adopted by the EU, and IAS 34, Interim financial reporting, as issued by the International Accounting Standards Board (IASB), and that the interim Group management report has not been prepared, in material aspects, in accordance with the requirements of the WpHG 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 IAS 34, Interim financial reporting, as adopted by the EU, and IAS 34, Interim financial reporting, as issued by the International Accounting Standards Board (IASB), or that the interim Group management report has not been prepared, in material aspects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Munich, 7 November 2018

**KPMG Bayerische Treuhandgesellschaft**  
Aktiengesellschaft Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft

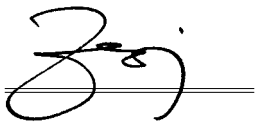
**Dr. Ellenbürger**  
Wirtschaftsprüfer  
(German Public Auditor)

**Voß**  
Wirtschaftsprüferin  
(German Public Auditor)

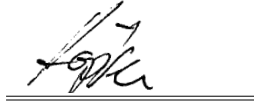
## Responsibility statement

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

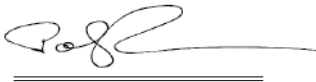
Munich, 6 November 2018



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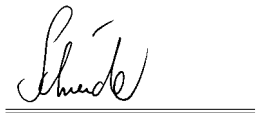


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### Responsible for content

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## Important dates 2019

20 March 2019  
Balance sheet press conference  
for 2018 financial statements

30 April 2019  
Annual General Meeting

8 May 2019  
Quarterly Statement as at 31 March 2019

7 August 2019  
Half-Year Financial Report as at 30 June 2019

7 November 2019  
Quarterly Statement as at 30 September 2019