Quarterly Statement 1/2018
Munich Re

1/2018

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Munich RE

Key figures (IFRS)

Munich Re at a glance

		Q1 2018	Q1 2017	Change
				%
Consolidated result	€m	827	557	48.4
Thereof attributable to non-controlling interests	€m	1	4	–74.6
Earnings per share	€	5.49	3.55	54.8
Return on risk-adjusted capital (RORAC)	%	13.2	8.3	
Return on investment (RoI)	%	3.1	3.6	
Return on equity (RoE)	%	11.9	7.0	

		31.3.2018	31.12.2017	Change
				%
Carrying amount per share	€	180.56	185.19	–2.5
Munich Reinsurance Company’s market capitalisation	€bn	29.3	28.0	4.5
Share price	€	188.85	180.75	4.5
Equity	€m	27,191	28,198	–3.6
Investments	€m	216,201	217,562	–0.6
Insurance-related investments	€m	9,333	9,664	–3.4
Net technical provisions	€m	206,096	205,754	0.2
Balance sheet total	€m	267,399	265,722	0.6
Number of staff		42,050	42,410	–0.8

Reinsurance

		Q1 2018	Q1 2017	Change
				%
Gross premiums written	€m	8,183	8,046	1.7
Combined ratio property-casualty	%	88.6	97.1	
Investment result	€m	612	692	–11.5
Consolidated result	€m	750	466	60.9
Thereof: Reinsurance – Life and health	€m	159	126	26.6
Thereof: Reinsurance – Property-casualty	€m	591	340	73.5

ERGO

		Q1 2018	Q1 2017	Change
				%
Gross premiums written	€m	4,943	4,879	1.3
Combined ratio Property-casualty Germany	%	101.7	99.1	
Combined ratio International	%	95.3	96.3	
Investment result	€m	1,184	1,459	–18.9
Consolidated result	€m	77	91	–15.3
Thereof: Life and Health Germany	€m	36	63	–42.3
Thereof: Property-casualty Germany	€m	0	12	–98.5
Thereof: International	€m	41	16	151.6

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Quarterly Statement[1]

Business environment

In the first quarter of 2018 (Q1), the global low-interest-rate environment continued to pose great challenges for investors. The yields on ten-year US government bonds rose further, but remained moderate – despite strong economic growth and policy-rate increases. Having risen significantly to 0.8% in January, yields on ten-year government bonds in Germany declined again in the further course of the quarter, partly owing to persistently weak inflation.

Yields on ten-year government bonds

%	31.3.2018	31.12.2017
USA	2.7	2.4
Germany	0.5	0.4

The US Federal Reserve pursued its policy of slow monetary tightening by raising the policy rate in March. ↗

In addition, it no longer fully reinvests expiring bonds previously purchased. By contrast, other large economies adhered to their expansionary monetary policies. The European Central Bank and the Japanese central bank pressed on with their bond-buying programmes and maintained their low policy rates. However, the European Central Bank reduced the monthly volume of its bond purchases. The Bank of England also adhered to its low policy rate.

Equity markets

	31.3.2018	31.12.2017
DJ EuroStoxx 50	3,362	3,504
Dow Jones Index	24,103	24,719

Volatility in the international stock markets rose significantly. Important equity indices, such as the US Dow Jones, the DJ EuroStoxx 50, the German DAX and the Japanese Nikkei, saw heavy price losses in February and closed somewhat lower than at the end of 2017.

Currency translation rates

Rate for €1	31.3.2018	31.12.2017	Q1 2018	Q1 2017
Australian dollar	1.60335	1.53525	1.56349	1.40705
Canadian dollar	1.58560	1.50450	1.55436	1.41077
Pound sterling	0.87670	0.88765	0.88313	0.85995
US dollar	1.22985	1.20080	1.22872	1.06557
Yen	130.7950	135.2700	133.0920	121.0950

At the reporting date, the exchange rate of the euro against many important currencies was higher than at the end of 2017, but lower against the Japanese yen and the pound sterling. In Q1, the average value of the euro against all important currencies was significantly higher than in the first quarter of 2017 (Q1 2017).

1 This Quarterly Statement was drawn up in accordance with IFRS principles. It is not an interim report within the meaning of IAS 34, or a financial statement pursuant to IAS 1. The previous year's figures were adjusted owing to IAS 8.

Business performance of the Group and overview of investment performance

Key figures

		Q1 2018	Q1 2017	Change
				%
Gross premiums written	€m	13,126	12,925	1.6
Technical result	€m	1,020	662	54.1
Investment result	€m	1,796	2,151	–16.5
Insurance-related investment result	€m	–237	156	–
Operating result	€m	1,283	952	34.8
Taxes on income	€m	–212	–188	–12.9
Return on risk-adjusted capital (RORAC)	%	13.2	8.3	
Return on equity (RoE)	%	11.9	7.0	
Consolidated result	€m	827	557	48.4
		31.3.2018	31.12.2017	Change
		€bn	€bn	%
Equity		27.2	28.2	–3.6

The Munich Re consolidated result for Q1 was gratifying, mainly owing to exceptionally low major-loss expenditure.

Our gross premiums written increased compared with Q1 2017 thanks to organic growth.

If exchange rates had remained unchanged, premium volume would have increased by 7.8%. A stronger euro also has a negative impact on the operating result as we achieve a lower result contribution from the conversion of profits from underwriting business and investments in foreign currencies. Compared with Q1 2017, the effect is especially pronounced given that the euro exchange rate rose appreciably against most other important currencies throughout 2017, albeit only after the end of Q1 2017. If exchange rates remain stable in the further course of 2018, the effect should lessen for the year as a whole.

The remeasurement of balance-sheet items in foreign currencies at period-end exchange rates led to a currency result of –€68m (–57m) in the first quarter, which is recognised in the other non-operating result.

At the reporting date, Group equity was below the level at the beginning of the year – despite the high consolidated profit – owing to the decline in the reserve for currency translation adjustments and, in particular, because of the decrease in valuation reserves on our shares and fixed-interest securities. Moreover, in Q1 we bought back a total of 1.7 million Munich Re shares with a volume of €0.3bn.

Investment mix

€m	Carrying amounts 31.3.2018	Carrying amounts 31.12.2017	Unrealised gains/losses[1] 31.3.2018	Unrealised gains/losses[1] 31.12.2017	Fair values 31.3.2018	Fair values 31.12.2017
Land and buildings, including buildings on third-party land	5,485	5,121	2,726	2,744	8,211	7,865
Investments in affiliated companies, associates and joint ventures	2,224	2,216	994	959	3,045	3,008
Loans	54,909	54,702	10,034	10,788	64,943	65,490
Other securities available for sale	140,898	143,845	9,075	10,883	140,898	143,845
Thereof: Fixed-interest	123,988	126,486	6,736	7,622	123,988	126,486
Thereof: Non-fixed-interest	16,911	17,359	2,338	3,261	16,911	17,359
Other securities at fair value through profit or loss	2,278	1,979	0	0	2,278	1,979
Thereof: Derivatives	1,862	1,538	0	0	1,862	1,538
Deposits retained on assumed reinsurance	6,191	5,690	0	0	6,191	5,690
Other investments	4,215	4,009	0	0	4,215	4,009
Total	**216,201**	**217,562**	**22,828**	**25,374**	**229,781**	**231,885**

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

In Q1, our portfolio of investments at carrying and fair values declined, mainly owing to rising interest rates and exchange-rate developments. Our portfolio continues to be dominated by fixed-interest securities and loans.

We increased our investments in corporate bonds, but reduced our portfolio of government bonds. As at the reporting date, our portfolio of fixed-interest securities was made up as follows:

Fixed-interest portfolio by economic category[1]

Total: €198bn (199bn)

Government bonds[2]	54% (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%)

1 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.
2 Including other public-sector issuers and government-guaranteed bank bonds.

At the period-end date, 54% of our fixed-interest portfolio was invested in government bonds. In Q1, new investments were mainly made in Italian and Portuguese government bonds with short periods to maturity. Reductions focused on our holdings of bonds from US and German issuers. The vast majority of our government bonds continue to come from countries with a high credit rating.

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

The carrying amount of our equity portfolio saw a decrease. The proportion of investments in equities declined to 7.1% (7.3%). Including derivatives, the proportion of investments in equities was 6.5% (6.7%). To protect ourselves against accelerating inflation, we held inflation-linked bonds in the amount of €7.1bn (8.5bn) (at fair values). Real assets like shares, property, commodities, and investments in infrastructure and renewable energies also serve as protection against inflation. Additionally, our investments in real assets have a positive diversification effect on the overall portfolio. In Q1, we invested in real estate in Munich and Washington, D.C.

Investment result

	Q1 2018	Return[1]	Q1 2017	Return[1]
	€m	%	€m	%
Regular income	1,493	2.6	1,634	2.7
Write-ups/write-downs of non-derivative investments	–115	–0.2	–26	0.0
Gains/losses on the disposal of non-derivative investments	584	1.0	1,048	1.8
Net balance of derivatives	–17	0.0	–362	–0.6
Other income/expenses	–149	–0.3	–143	–0.2
Total	**1,796**	**3.1**	**2,151**	**3.6**

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

Regular income was slightly down overall. The reinvestment return on fixed-interest securities amounted to 1.9% (2.0%) in the first quarter of the year, thus remaining below the average return on our existing investment portfolio. Compared with Q1 2017, the average yield dropped significantly, mainly on account of higher write-downs on our equity portfolio and lower gains on disposals, which in Q1 2017 had been exceptionally large because of high gains on disposals at ERGO Life and Health Germany.

We posted higher net write-downs of non-derivative investments year on year. Owing to the price losses on the stock markets, the write-downs mainly affected our equity portfolio in primary insurance and reinsurance.

Overall, the result from the disposal of non-derivative investments was significantly lower than in Q1 2017. The decline primarily related to fixed-interest securities in the ERGO Life and Health Germany segment, which had realised high gains on disposals in Q1 2017.

By contrast, the net balance of derivatives was significantly up year on year. Given the fall in prices in the equity markets, there were positive effects above all from the result from equity derivatives, which – unlike in Q1 2017 – was positive.

Business performance

Reinsurance – Life and health

Key figures

		Q1 2018	Q1 2017	Change
				%
Gross premiums written	€m	2,865	3,488	–17.9
Share of gross premiums written in reinsurance	%	35.0	43.3	
Technical result, incl. result from reinsurance treaties without significant risk transfer	€m	155	158	–1.5
Investment result	€m	207	221	–6.3
Operating result	€m	221	192	15.2
Consolidated result	€m	159	126	26.6

Premium

We write the majority of our business in non-euro currencies – the most important being Canadian and US dollars, which account for 30% and 23% respectively. Movements in exchange rates had a significant negative effect. If exchange rates had remained unchanged, our gross premiums written would have fallen by 9.9% compared with Q1 2017. The decrease is chiefly attributable to the expected termination of a large-volume treaty at the end of last year.

Result

At €140m, the technical result was at the same very good level as in Q1 2017 (€145m), mainly on account of positive claims experience overall, especially in North America. The result also benefited from a run-off profit on the recapture of a contractual relationship in Europe.

The result from the part of the business that is not posted in the technical result as a consequence of non-significant risk transfer continues to develop in a very satisfying manner, and at €16m surpassed the level of Q1 2017 (€13m).

The investment result was at a slightly lower level overall than in Q1 2017. The decline in regular income and higher write-downs, in particular on our equity portfolio, are largely compensated for by higher gains on the disposal of fixed-interest securities.

Reinsurance – Property-casualty

Key figures

		Q1 2018	Q1 2017	Change
				%
Gross premiums written	€m	5,317	4,558	16.6
Share of gross premiums written in reinsurance	%	65.0	56.7	
Loss ratio	%	54.7	64.7	
Thereof: Major losses	Percentage points	1.4	9.6	
Expense ratio	%	34.0	32.4	
Combined ratio	%	88.6	97.1	
Technical result	€m	749	387	93.3
Investment result	€m	404	470	–14.0
Operating result	€m	838	491	70.5
Consolidated result	€m	591	340	73.5

Premium

In property-casualty reinsurance, gross premiums written largely benefited from the conclusion of new large-volume treaties. Negative exchange-rate influences had an adverse effect. If exchange rates had remained the same, premium volume would have risen by 28.1% compared with Q1 2017.

Prices for reinsurance treaties increased in the renewals as at 1 January 2018, particularly in the markets affected by natural catastrophes. Other markets and lines of business were also freed from the pricing pressures of previous years, and price development was stable or slightly positive. Despite the high losses from natural catastrophes in 2017, the supply of reinsurance capital remained high during the January 2018 renewals. Price increases were therefore only moderate overall, also against the background of slightly rising market interest rates.

Around half of our non-life reinsurance was up for renewal on 1 January 2018, representing premium volume of €8.3bn. Of this, 14% (around €1.2bn) was not renewed. By contrast, Munich Re wrote new business with a volume of approximately €2.3bn. The total volume of business written at 1 January 2018 thus increased by 19% to around €9.9bn, with price levels rising by around 0.8%. In each of the renewals in 2017, prices saw an average decline of about 0.5%. The year-on-year increase in interest-rate levels is having a strengthening effect on the profitability of our business, because it enables us to invest at higher returns the funds earmarked for future claims payments.

Result

The technical result was up on Q1 2017, because major-loss expenditure in Q1 was lower at €62m (403m) before tax. This amount includes run-off profits and losses for major claims from previous years, and is equivalent to 1.4% of net earned premium – significantly below our major-loss expectation of 12% of net earned premiums.

Major losses from natural catastrophes accounted for a profit of €49m (expenditure of €156m), i.e. the reserve releases for prior-year losses exceeded major-loss expenditure in Q1. The largest loss was Winter Storm Friederike, which crossed parts of Europe in mid-January with high wind speeds and heavy snowfall. We expect expenditure of around €25m from this storm.

Man-made major losses accounted for expenditure of €112m (247m).

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 continued to remain appreciably below the expected level, we made reserve releases – after adjustments for commissions – of around €180m in Q1, which is equivalent to 4.1 percentage points of the combined ratio. 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.

At 88.6% (97.1%) of net earned premiums, the combined ratio was good, and on track to achieve the target level of 97% now envisaged for the full year of 2018. At the beginning of the year, we had forecast a ratio of 99%.

The investment result was down compared with Q1 2017. The reasons for the reduction were lower regular income from fixed-interest securities and dividends, and higher impairments owing to price falls on the stock markets in Q1; the increase in gains on disposals was unable to make up for the latter.

ERGO Life and Health Germany

Key figures

		Q1 2018	Q1 2017	Change
				%
Total premium income[1]	€m	2,462	2,476	–0.6
Gross premiums written	€m	2,321	2,324	–0.1
Share of gross premiums written by ERGO	%	47.0	47.6	
Technical result	€m	91	70	29.8
Investment result	€m	1,049	1,337	–21.5
Operating result	€m	151	173	–12.8
Consolidated result	€m	36	63	–42.3

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

Premium

Premium income in this segment was roughly at the same level as in Q1 2017.

In the Life Germany segment, total premium income amounted to €809m (861m), a decrease of 6.1%. Gross premiums written totalled €676m (722m), down by 6.4%. The decrease was attributable in particular to lower regular premium income owing to the ongoing portfolio reduction. This decline could not be compensated for by new business. Regular-premium new business came to €46m (52m), a reduction of 11.6%, and single-premium new business totalled €44m (68m), a decline of 35.7%. The reduction in single-premium income was due in part to decreased new business production. The lower figure also reflects the fact that we terminated our cooperation with UniCredit Bank AG in Germany at the end of 2017. In terms of annual premium equivalent (APE, i.e. regular premium income plus one-tenth of single-premium volume), which is the performance measure customary among investors, our new business volume was down by 14.3%. Since the end of 2017, we have been offering new flexible old-age provision and death-benefit products, which began to deliver the first positive results in Q1.

In the Health Germany segment, gross premiums written in Q1 amounted to €1,375m (1,339m), an increase of 2.7%. Premium income in supplementary health insurance saw growth of 2.7%, whilst in comprehensive health insurance it remained roughly at the same level (–0.3%) 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.

In the Direct Germany segment, total premium income was up by 0.8% to €278m (276m). Gross premiums written increased by 2.9% to €271m (263m), mainly on account of growth in health insurance (9.3%), in particular thanks to our dental plans. Premium income in property-casualty business was also up (1.1%). By contrast, total premium income in life insurance business was down by 8.6% compared with Q1 2017. In terms of annual premium equivalent, new business volume in life insurance declined by 12.5% compared with Q1 2017.

Result

The technical result generated by the ERGO Life and Health Germany segment in Q1 was up compared with Q1 2017. Improvements in the Health Germany and Direct Germany segments were able to overcompensate for the marginal decline in the Life Germany segment.

The investment result fell, chiefly owing to significantly lower gains on disposals. We realised a lower amount of valuation reserves compared with Q1 2017.

ERGO Property-casualty Germany

Key figures

		Q1 2018	Q1 2017	Change
				%
Gross premiums written	€m	1,266	1,240	2.1
Share of gross premiums written by ERGO	%	25.6	25.4	
Loss ratio	%	65.9	63.3	
Expense ratio	%	35.9	35.8	
Combined ratio	%	101.7	99.1	
Technical result	€m	–6	16	–
Investment result	€m	37	49	–24.9
Operating result	€m	14	44	–68.6
Consolidated result	€m	0	12	–98.5

Premium

Gross premiums written developed positively compared with Q1 2017, benefiting especially from growth of 3.6% in motor insurance and 7.9% in the other classes of business – for instance, in UK title insurance business and engineering insurance. Legal protection insurance also saw an increase in premium volume (2.5%), as did liability insurance (1.1%), and fire and property insurance (0.5%). By contrast, in personal accident insurance, premium was down by 1.4% year on year.

Result

The technical result in the ERGO Property-casualty Germany segment was down, mainly on account of higher major-loss expenditure for natural hazards, in particular Winter Storm Friederike, than in Q1 2017.

The combined ratio was 2.6 percentage points higher than in Q1 2017. Overall, major losses from natural catastrophes, especially Winter Storm Friederike, had an adverse impact on the loss ratio in Q1. The expense ratio remained nearly unchanged compared with Q1 2017.

The investment result was down on Q1 2017, chiefly on account of lower gains from the disposal of equities and a decline in regular income.

ERGO International

Key figures

		Q1 2018	Q1 2017	Change
				%
Total premium income[1]	€m	1,429	1,398	2.2
Gross premiums written	€m	1,356	1,315	3.1
Share of gross premiums written by ERGO	%	27.4	27.0	
Loss ratio	%	65.1	65.3	
Expense ratio	%	30.2	31.0	
Combined ratio	%	95.3	96.3	
Technical result	€m	47	45	5.5
Investment result	€m	98	74	32.9
Operating result	€m	60	52	15.2
Consolidated result	€m	41	16	151.6

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

Premium

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

Overall, we posted an increase in total premium income and gross premiums written owing to property-casualty business. Adjusted to eliminate negative currency translation effects, gross premiums written in the ERGO International segment would have increased by 3.4% compared with Q1 2017.

In international life insurance, total premium volume was down by 6.9% on Q1 2017, and stood at €285m (306m). The decrease is due in particular to developments in Belgium, where we had stopped taking out new business in the middle of 2017. New business in international life insurance in Q1 was down by 9.8% year on year in terms of the annual premium equivalent. In health business, premium decreased by 5.7% to €387m (411m). International property-casualty business saw a rise in premium income of 11.0% to €756m (681m). This significant increase was mainly attributable to Poland (25.3%), our largest market.

Result

The technical result in the ERGO International segment was up slightly on Q1 2017. The reasons for this positive development were price adjustments and quantitative growth in Polish property-casualty business, along with improvements in Belgian and Spanish health business.

The improved combined ratio was chiefly attributable to developments in Poland, mainly on account of price adjustments, and to international legal protection business (1.3 percentage points). The combined ratio also improved by 2.5 percentage points in international health business, especially in Spain.

The investment result in Q1 was higher than in Q1 2017, the increase being due for the most part to a higher net balance of derivatives.

Prospects

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

Outlook Munich Re (Group) 2018

		As at 31.3.2018	From Annual Report 2017
Gross premiums written	€bn	46–49	46–49
Technical result – Life and health reinsurance[1]	€m	at least 475	at least 475
Combined ratio – Property-casualty reinsurance	%	97	99
Combined ratio – ERGO Property-casualty Germany	%	96	96
Combined ratio – ERGO Property-casualty International	%	97	97
Return on investment[2]	%	around 3	around 3
Consolidated result	€bn	2.1–2.5	2.1–2.5

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

Compared with our forecasts made in the 2017 Annual Report, we anticipate the following developments after Q1 with regard to these key figures relevant for Munich Re:

At the beginning of the year, we had projected a combined ratio of 99% for property-casualty reinsurance. Given the low major-loss expenditure in Q1, we now envisage a ratio of 97% for the full year.

Selected financial information

Consolidated balance sheet
as at 31 March 2018

Assets

			31.3.2018	31.12.2017		Change
	€m	€m	€m	€m	€m	%
A. Intangible assets						
I. Goodwill		2,548		2,584	-36	-1.4
II. Other intangible assets		1,073		1,105	-32	-2.9
			3,621	**3,689**	**-68**	**-1.9**
B. Investments						
I. Land and buildings, including buildings on third-party land		5,485		5,121	364	7.1
II. Investments in affiliated companies, associates and joint ventures		2,224		2,216	8	0.4
Thereof: Associates and joint ventures accounted for using the equity method		2,009		2,010	-1	-0.1
III. Loans		54,909		54,702	207	0.4
IV. Other securities						
1. Available for sale	140,898			143,845	-2,946	-2.0
2. At fair value through profit or loss	2,278			1,979	299	15.1
		143,176		145,824	-2,648	-1.8
V. Deposits retained on assumed reinsurance		6,191		5,690	500	8.8
VI. Other investments		4,215		4,009	206	5.1
			216,201	**217,562**	**-1,361**	**-0.6**
C. Insurance-related investments			**9,333**	**9,664**	**-330**	**-3.4**
D. Ceded share of technical provisions			**4,283**	**4,169**	**114**	**2.7**
E. Receivables						
I. Current tax receivables		490		440	50	11.4
II. Other receivables		16,159		13,385	2,774	20.7
			16,648	**13,825**	**2,824**	**20.4**
F. Cash at banks, cheques and cash in hand			**4,052**	**3,625**	**427**	**11.8**
G. Deferred acquisition costs						
Gross		9,672		9,563	109	1.1
Ceded share		-160		-135	-25	-18.8
Net			9,512	9,428	84	0.9
H. Deferred tax assets			**645**	**534**	**110**	**20.6**
I. Other assets			**3,008**	**3,107**	**-100**	**-3.2**
J. Assets held for sale			**96**	**118**	**-22**	**-18.3**
Total assets			**267,399**	**265,722**	**1,677**	**0.6**

Equity and liabilities

		31.3.2018	31.12.2017		Change
	€m	€m	€m	€m	%
A. Equity					
I. Issued capital and capital reserve	7,412		7,418	–6	–0.1
II. Retained earnings	15,058		15,036	23	0.2
III. Other reserves	3,710		5,183	–1,472	–28.4
IV. Consolidated result attributable to Munich Reinsurance Company equity holders	826		375	451	120.0
V. Non-controlling interests	185		186	–2	–0.9
		27,191	**28,198**	**–1,007**	**–3.6**
B. Subordinated liabilities		**2,801**	**2,790**	**11**	**0.4**
C. Gross technical provisions					
I. Unearned premiums	10,194		8,857	1,337	15.1
II. Provision for future policy benefits	109,342		108,956	387	0.4
III. Provision for outstanding claims	63,058		63,965	–907	–1.4
IV. Other technical provisions	19,101		19,174	–74	–0.4
		201,695	**200,952**	**744**	**0.4**
D. Gross technical provisions for unit-linked life insurance		**8,684**	**8,971**	**–288**	**–3.2**
E. Other provisions		**4,594**	**4,508**	**87**	**1.9**
F. Liabilities					
I. Bonds and notes issued	271		277	–7	–2.4
II. Deposits retained on ceded business	676		594	82	13.8
III. Current tax liabilities	2,359		2,439	–80	–3.3
IV. Other liabilities	17,682		15,471	2,211	14.3
		20,989	**18,781**	**2,207**	**11.8**
G. Deferred tax liabilities		**1,378**	**1,456**	**–78**	**–5.4**
H. Liabilities related to assets held for sale		**66**	**65**	**1**	**1.4**
Total equity and liabilities		**267,399**	**265,722**	**1,677**	**0.6**

Consolidated income statement

1 January to 31 March 2018[1]

Items

			Q1 2018	Q1 2017		Change
	€m	€m	€m	€m	€m	%
Gross premiums written	**13,126**			**12,925**	**201**	**1.6**
1. Earned premiums						
Gross	11,685			12,202	-516	-4.2
Ceded share	-431			-360	-72	-20.0
Net		11,254		11,842	-588	-5.0
2. Income from technical interest		**1,242**		**1,969**	**-727**	**-36.9**
3. Expenses for claims and benefits						
Gross	-8,519			-10,298	1,779	17.3
Ceded share	87			120	-33	-27.3
Net		-8,431		-10,178	1,746	17.2
4. Operating expenses						
Gross	-3,149			-3,041	-108	-3.6
Ceded share	104			70	34	49.4
Net		-3,045		-2,971	-74	-2.5
5. Technical result (1–4)			**1,020**	**662**	**358**	**54.1**
6. Investment result		**1,796**		**2,151**	**-355**	**-16.5**
Thereof: Income from associates and joint ventures accounted for using the equity method		18		37	-20	-52.4
7. Insurance-related investment result		**-237**		**156**	**-393**	**–**
8. Other operating income		**163**		**186**	**-24**	**-12.8**
9. Other operating expenses		**-216**		**-234**	**18**	**7.8**
10. Deduction of income from technical interest		**-1,242**		**-1,969**	**727**	**36.9**
11. Non-technical result (6–10)			**263**	**290**	**-27**	**-9.3**
12. Operating result (5+11)			**1,283**	**952**	**331**	**34.8**
13. Other non-operating result			**-194**	**-153**	**-41**	**-26.5**
14. Impairment losses on goodwill			**0**	**0**	**0**	**–**
15. Net finance costs			**-51**	**-54**	**3**	**6.4**
16. Taxes on income			**-212**	**-188**	**-24**	**-12.9**
17. Consolidated result (12–16)			**827**	**557**	**270**	**48.4**
Thereof: Attributable to Munich Reinsurance Company equity holders			826	554	272	49.2
Attributable to non-controlling interests			1	4	-3	-74.6
			€	€	€	%
Earnings per share			**5.49**	**3.55**	**1.94**	**54.8**

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

Statement of recognised income and expense
1 January to 31 March 2018

€m		Q1 2018	Q1 2017
Consolidated result		**827**	**557**
Currency translation			
Gains (losses) recognised in equity	–313		–101
Recognised in the consolidated income statement	0		0
Unrealised gains and losses on investments			
Gains (losses) recognised in equity	–888		379
Recognised in the consolidated income statement	–283		–158
Change resulting from equity method measurement			
Gains (losses) recognised in equity	14		8
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	–1,471		130
Remeasurements of defined benefit plans	–51		14
Other changes	0		0
II. Items where income and expenses recognised directly in equity are not reallocated to the consolidated income statement	–51		14
Income and expense recognised directly in equity (I + II)		**–1,522**	**144**
Total recognised income and expense		**–695**	**701**
Thereof:			
Attributable to Munich Reinsurance Company equity holders		–694	697
Attributable to non-controlling interests		–1	3

Segmentation of our business

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

We have identified five segments to be reported:

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

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

Segment assets

	Reinsurance			
	Life and health		Property-casualty	
€m	31.3.2018	31.12.2017	31.3.2018	31.12.2017
A. Intangible assets	**125**	**127**	**2,162**	**2,219**
B. Investments				
I. Land and buildings, including buildings on third-party land	339	309	1,881	1,532
II. Investments in affiliated companies, associates and joint ventures	44	44	1,255	1,225
Thereof: Associates and joint ventures accounted for using the equity method	28	28	1,179	1,164
III. Loans	178	176	681	745
IV. Other securities				
1. Available for sale	19,636	20,675	49,751	51,883
2. At fair value through profit or loss	110	75	517	378
	19,745	20,751	50,268	52,261
V. Deposits retained on assumed reinsurance	4,202	3,759	1,926	1,870
VI. Other investments	502	559	1,871	1,715
	25,010	**25,597**	**57,882**	**59,349**
C. Insurance-related investments	**735**	**754**	**117**	**104**
D. Ceded share of technical provisions	**821**	**735**	**2,747**	**2,727**
E. Assets held for sale	**0**	**0**	**0**	**0**
F. Other segment assets	**11,385**	**9,208**	**10,475**	**9,520**
Total segment assets	**38,076**	**36,421**	**73,382**	**73,918**

Segment equity and liabilities

	Reinsurance			
	Life and health		Property-casualty	
€m	31.3.2018	31.12.2017	31.3.2018	31.12.2017
A. Subordinated liabilities	**739**	**785**	**2,050**	**1,993**
B. Gross technical provisions				
I. Unearned premiums	278	295	6,741	6,034
II. Provision for future policy benefits	11,090	10,825	26	26
III. Provision for outstanding claims	8,480	8,694	44,412	45,004
IV. Other technical provisions	288	320	278	373
	20,136	**20,134**	**51,458**	**51,437**
C. Gross technical provisions for unit-linked life insurance contracts	**0**	**0**	**0**	**0**
D. Other provisions	**233**	**231**	**647**	**607**
E. Liabilities related to assets held for sale	**0**	**0**	**0**	**0**
F. Other segment liabilities	**8,439**	**6,842**	**7,576**	**7,480**
Total segment liabilities	**29,547**	**27,991**	**61,731**	**61,517**

						ERGO		Total
		Life and Health Germany		Property-casualty Germany		International		
	31.3.2018	31.12.2017	31.3.2018	31.12.2017	31.3.2018	31.12.2017	31.3.2018	31.12.2017
	171	**168**	**958**	**961**	**204**	**215**	**3,621**	**3,689**
	2,948	2,961	199	200	118	119	5,485	5,121
	330	331	70	72	526	544	2,224	2,216
	283	282	24	24	496	513	2,009	2,010
	52,163	51,952	1,642	1,593	246	236	54,909	54,702
	51,682	51,727	4,541	4,409	15,288	15,151	140,898	143,845
	1,153	1,024	33	14	466	488	2,278	1,979
	52,835	52,751	4,574	4,423	15,754	15,638	143,176	145,824
	41	40	21	21	1	1	6,191	5,690
	1,266	1,093	411	435	164	207	4,215	4,009
	109,583	**109,129**	**6,917**	**6,743**	**16,809**	**16,745**	**216,201**	**217,562**
	5,122	**5,317**	**0**	**0**	**3,360**	**3,488**	**9,333**	**9,664**
	22	**15**	**55**	**78**	**638**	**615**	**4,283**	**4,169**
	4	**26**	**0**	**0**	**92**	**92**	**96**	**118**
	6,905	**7,124**	**1,759**	**1,429**	**3,341**	**3,239**	**33,864**	**30,520**
	121,808	**121,779**	**9,689**	**9,210**	**24,444**	**24,394**	**267,399**	**265,722**

						ERGO		Total
		Life and Health Germany		Property-casualty Germany		International		
	31.3.2018	31.12.2017	31.3.2018	31.12.2017	31.3.2018	31.12.2017	31.3.2018	31.12.2017
	0	**0**	**0**	**0**	**13**	**13**	**2,801**	**2,790**
	274	214	954	468	1,948	1,846	10,194	8,857
	87,918	87,774	433	433	9,875	9,897	109,342	108,956
	2,798	2,935	4,504	4,483	2,864	2,849	63,058	63,965
	17,918	17,846	89	91	527	544	19,101	19,174
	108,908	**108,770**	**5,980**	**5,475**	**15,214**	**15,137**	**201,695**	**200,952**
	5,588	**5,809**	**0**	**0**	**3,096**	**3,162**	**8,684**	**8,971**
	1,718	**1,711**	**988**	**935**	**1,007**	**1,023**	**4,594**	**4,508**
	3	**3**	**0**	**0**	**64**	**63**	**66**	**65**
	4,310	**3,873**	**608**	**664**	**1,433**	**1,378**	**22,367**	**20,237**
	120,526	**120,166**	**7,576**	**7,074**	**20,827**	**20,776**	**240,207**	**237,524**
					Equity		**27,191**	**28,198**
					Total equity and liabilities		**267,399**	**265,722**

Segment income statement
1 January to 31 March 2018[1]

	Reinsurance			
	Life and health		Property-casualty	
€m	Q1 2018	Q1 2017	Q1 2018	Q1 2017
Gross premiums written	**2,865**	**3,488**	**5,317**	**4,558**
1. Net earned premiums	2,758	3,482	4,317	4,204
2. Income from technical interest	138	163	261	265
3. Net expenses for claims and benefits	-2,154	-2,830	-2,363	-2,720
4. Net operating expenses	-603	-670	-1,466	-1,362
5. Technical result (1–4)	**140**	**145**	**749**	**387**
6. Investment result	207	221	404	470
7. Insurance-related investment result	10	-12	-19	-66
8. Other operating result	3	0	-36	-36
9. Deduction of income from technical interest	-138	-163	-261	-265
10. Non-technical result (6–9)	**82**	**48**	**89**	**104**
11. Operating result (5+10)	**221**	**192**	**838**	**491**
12. Other non-operating result, net finance costs and impairment losses on goodwill	-16	-16	-59	-28
13. Taxes on income	-46	-50	-188	-123
14. Consolidated result (11–13)	**159**	**126**	**591**	**340**

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

	Life and Health Germany		Property-casualty Germany		International	ERGO		Total
	Q1 2018	Q1 2017	Q1 2018	Q1 2017	Q1 2018	Q1 2017	Q1 2018	Q1 2017
	2,321	**2,324**	**1,266**	**1,240**	**1,356**	**1,315**	**13,126**	**12,925**
	2,265	2,276	743	753	1,171	1,127	11,254	11,842
	798	1,379	19	19	25	144	1,242	1,969
	–2,602	–3,250	–502	–486	–811	–891	–8,431	–10,178
	–371	–335	–267	–269	–338	–335	–3,045	–2,971
	91	**70**	**–6**	**16**	**47**	**45**	**1,020**	**662**
	1,049	1,337	37	49	98	74	1,796	2,151
	–178	150	0	0	–50	83	–237	156
	–13	–5	2	–2	–10	–6	–53	–48
	–798	–1,379	–19	–19	–25	–144	–1,242	–1,969
	60	**103**	**20**	**29**	**12**	**7**	**263**	**290**
	151	**173**	**14**	**44**	**60**	**52**	**1,283**	**952**
	–100	–89	–45	–41	–24	–33	–245	–207
	–14	–21	31	9	6	–3	–212	–188
	36	**63**	**0**	**12**	**41**	**16**	**827**	**557**

Supervisory Board

Dr. Bernd Pischetsrieder
(Chairman)

Board of Management

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(Chairman)
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Dr. Doris Höpke
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Important dates 2018

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

7 November 2018
Quarterly Statement as at 30 September 2018

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

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