Munich RE

Quarterly Report 3/2014
Munich Re

3/2014

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(Chairman)

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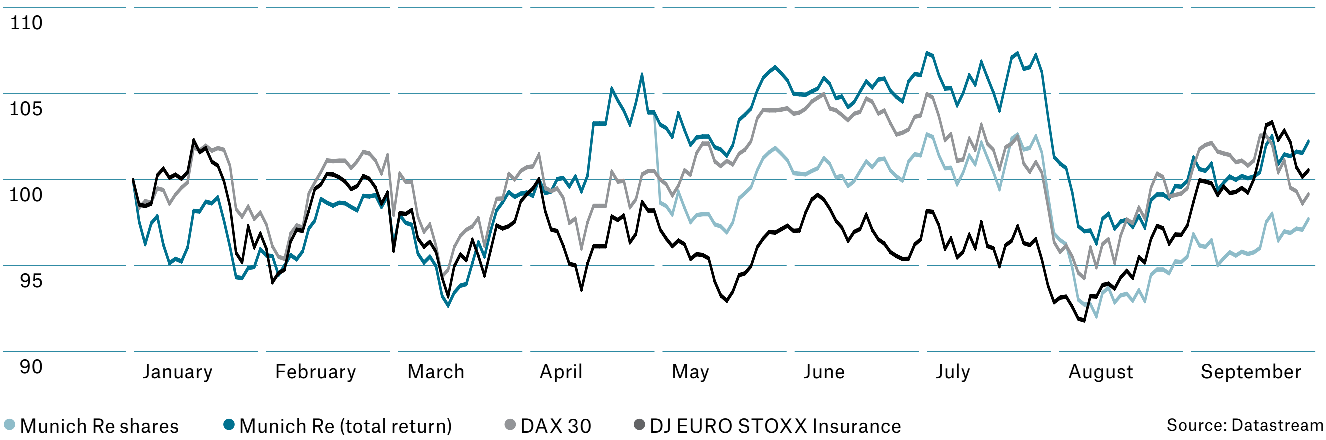
Dr. Torsten Jeworrek
Dr. Peter Röder
Dr. Jörg Schneider
Dr. Joachim Wenning

Share price performance 1.1.2014 = 100



Source: Datastream

Key figures (IFRS)[1]

Munich Re at a glance

		Q1–3 2014	Q1–3 2013	Change	Q3 2014	Q3 2013	Change
				%			%
Consolidated result	€m	2,442	2,139	14.2	738	630	17.1
Thereof attributable to non-controlling interests	€m	12	20	-40.0	3	-1	–
Earnings per share	€	14.03	11.82	18.7	4.29	3.52	21.9
Return on risk-adjusted capital (RORAC)	%	13.6	10.4		12.3	9.2	
Return on investment (RoI)	%	3.8	3.4		3.0	3.8	
Return on equity (RoE)	%	11.8	10.6		10.4	9.8	
					30.9.2014	31.12.2013	Change
							%
Book value per share	€				170.36	146.23	16.5
Munich Reinsurance Company's market capitalisation	€bn				27.1	28.7	-5.7
Share price	€				156.55	160.15	-2.2

		30.9.2014	31.12.2013	Change
				%
Equity	€m	29,259	26,188	11.7
Investments	€m	223,268	209,474	6.6
Net technical provisions	€m	196,962	187,739	4.9
Balance sheet total	€m	269,813	254,312	6.1
Number of staff		43,815	44,665	-1.9

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

Contents

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

To our shareholders

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

Dear Shareholders,

The hurricane season, with its potential to cause immense losses along the US Gulf and East Coasts, has been quiet so far this year. In fact, we have seen comparatively few loss-producing natural catastrophes in 2014. In the first three quarters of the year, major natural catastrophe losses accounted for 3.5 percentage points of our combined ratio – well below the expected long-term average of 8.5 percentage points.

This is certainly good news for people living in regions particularly exposed to natural catastrophes. And in principle, this is also true for the insurance industry, although it does mean that there is a growing risk that the pressure on prices for natural catastrophe covers will continue to mount. After all, the reinsurance market is still defined by intense competition among the established players. The number of well-capitalised reinsurers has been rising steadily over the years, whilst the demand for reinsurance on the part of equally well-capitalised primary insurers has at best been stagnating. Added to this, further capacities have been brought to the market by new players such as pension funds and hedge funds. Even if a costly natural hazard event were to occur now, it would not trigger any major shift in the market environment, that is to say it would not restore balance to the reinsurance market. Therefore, what is called for now is disciplined underwriting and strict cycle management. New business must be based on innovative solutions, as this is the only way to avoid the enormous pricing pressure.

There is potential for innovation not only from new risks, for instance with respect to the internet, but also from risks with which we are familiar, such as natural hazards. In September, for example, ERGO launched a product covering residential buildings in Germany which up to now have been uninsurable owing to their extreme exposure to flooding. This entirely new product not only fills a market gap, it also disproves the political assertion that insurers systematically deny coverage for particularly exposed buildings. ERGO developed this product in close conjunction with colleagues in reinsurance – still further proof of the Group's innovative potential.

But it is not only buildings that are exposed to weather risks: often it is the business itself that is at risk. Energy companies, for example, sustain losses in earnings in exceptionally cool summers when air conditioners are not used. These and many other weather risks can be managed and covered by our subsidiary Munich Re Weather & Commodity Risk Holding, which we acquired last year. Weather risks are a growth market, with only a fraction of the economic consequences of these risks currently being hedged in the market.

Despite the comparatively few losses from natural catastrophes so far this year, the medium and long-term trend is clear. The number of weather-related loss events has roughly tripled since 1980, whereas geophysical events, such as earthquakes and volcanic eruptions, have remained largely constant. We see this as an indication that changes in the atmosphere, especially climate change, are driving this trend.

Unfortunately, climate change has dropped far down the political agenda. The attention of policymakers and the public is currently focused on the many ongoing political and economic crises. So for me, it is important that we do not ignore the urgency of climate protection. International endeavours to bring about an effective climate regime should be stepped up in advance of the World Climate Conference to be held in Paris next year.

In general, the loss potential from natural catastrophes is highest in regions where the infrastructure is obsolete and overstressed. This applies not only to buildings but also to power plants, electricity grids and transport routes. Many countries – and this includes both emerging markets and industrial nations – have vulnerable infrastructures. It is thus not without reason that their modernisation is on the agenda almost all over the world.

Munich Re offers coverage for countless building and infrastructure projects. Thanks to our expertise, we can provide bespoke solutions for complex individual risks, such as the world's longest floating bridge, which is currently being constructed across Lake Washington in the northwestern United States.

But Munich Re is also increasingly taking on the role of investor in infrastructure projects. In the next few years, we will invest up to €8bn in infrastructure, renewable energies and new technologies. Investments in infrastructure projects that generate stable returns are very well suited to meet our long-term obligations.

Key prerequisites for a commitment on our part are planning security and sustained returns. If these are given, and the legal and regulatory parameters are right, insurers like Munich Re can provide assistance in overcoming the current investment backlog. They have the necessary capital, for which they seek long-term investment options with safe returns, especially in the current low-interest environment. Conversely, many countries have an urgent need for infrastructure investments that their governments can no longer fully meet because of substantial public debt and other financing restrictions.

I will conclude with a brief look at the past quarter, which Munich Re closed with a satisfying result of €738m. Our shareholders will be pleased to learn that, owing to the positive performance of our business in the first three quarters, we are now proceeding on the assumption that we will be able to slightly exceed our original profit guidance of €3bn for 2014.

Yours sincerely,

Nikolaus von Bomhard

Interim management report

Business environment

— Global economic growth only moderate in first nine months
— ECB eases its monetary policy once again in third quarter
— Long-term interest rates continue to fall in Germany
— Euro gains in value year on year against US dollar in first nine months, despite exchange-rate fall in third quarter

As in the previous year, the global economy expanded only moderately in the first three quarters of 2014. Curbing effects included slumps in the USA and China at the start of the year. European economies saw very different levels of growth. While the strong upswing continued in the United Kingdom, recovery in the eurozone was rather disappointing. GDP in Germany and Spain saw moderate growth, but the economies of France and Italy remained weak.

In the second and third quarters, the US Federal Reserve continued its gradual exit, which began in January, from an expansionary monetary policy, and reduced the volume of its monthly bond-buying. The programme ended in October. In contrast, the European Central Bank (ECB) eased its monetary policy in the face of very low inflation in the eurozone. Its measures included lowering its key interest rate in June and again in September to 0.05%, introducing a negative interest rate for deposits into the central bank, and announcing a new programme to buy private-sector bonds.

As in the previous year, global capital and foreign exchange markets were relatively stable in the first nine months of 2014. However, clouding of the growth outlook in some emerging markets had been a factor leading to renewed capital outflows and currency devaluations in the first quarter. The third quarter also saw an increase in uncertainty in the markets due to geopolitical conflicts, mainly in the Ukraine, Iraq and Syria, and as a consequence of the worsening economic situation in the eurozone. The volatility on the financial markets increased further in October and remained high on the European markets in particular.

Long-term interest rates in the USA and Germany fell in the first nine months. At the end of the third quarter, yields on ten-year US and German bonds were 2.5% and 0.9% respectively, compared with 3.0% and 1.9% at the end of 2013. Compared with the end of the second quarter, interest rates fell only slightly in the USA, but strongly in Germany. The fall in interest rates had a positive impact on the market value of fixed-income bonds, but had a substantial negative impact on insurers because of deteriorating terms for new investments and reinvestments. Regular interest income saw a further slight decline, because yields on new fixed-interest securities with high ratings are far lower than the average return on the securities maturing or sold. Life insurers, which have to meet interest-rate guarantees, are particularly affected.

We write a large portion of our business outside the eurozone. Appreciation of the euro has an adverse effect on premium income development posted in euros, while depreciation increases it. In comparison with the same period of the previous year, in the first nine months of 2014 the value of the euro also strengthened on average as against the US dollar (2.8%), the Canadian dollar (10.0%), and the Japanese yen (9.6%), but weakened against the British pound sterling (–4.7%). In comparison with the third quarter of 2013, in the same period of 2014 the value of the euro remained unchanged on average as against the US dollar; it increased as against the Canadian dollar (4.8%) and the Japanese yen (5.1%), but weakened against the British pound sterling (–7.1%). Overall, currency translation effects have distorted premium income downwards in year-on-year comparison, both with respect to the first nine months and to the third quarter.

The value shown for investments, which is translated at period-end exchange rates, was increased by currency translation effects in the first nine months. When comparing the rates at 30 September 2014 with those at 31 December 2013, the euro fell by 8.1% against the US dollar, 3.1% against the Canadian dollar, 4.3% against the Japanese yen; and 6.2% against the British pound sterling.

Business performance

Overview

Key figures[1]

	Q1–3 2014	Q1–3 2013	Change	Q3 2014	Q3 2013	Change
	€m	€m	%	€m	€m	%
Gross premiums written	36,833	38,590	–4.6	12,053	12,497	–3.6
Technical result	2,633	2,619	0.5	958	738	29.8
Investment result	6,392	5,662	12.9	1,755	2,099	–16.4
Operating result	3,376	3,127	8.0	910	1,056	–13.8
Taxes on income	298	349	–14.6	–10	–41	75.6
Consolidated result	2,442	2,139	14.2	738	630	17.1
Thereof: Attributable to non-controlling interests	12	20	–40.0	3	–1	–
				30.9.2014	31.12.2013	Change
				€bn	€bn	%
Equity				29.3	26.2	11.7

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

The figures for Munich Re's Group-wide business in the first nine months of the year are gratifying. Although the decrease in reinsurance prices has left its mark on the result, our profit and the positive development of our Group's equity capital are a reflection of our forward-looking risk management, prudent investment policy and profit-oriented underwriting approach.

The annualised return on risk-adjusted capital (RORAC) for the first three quarters of the year amounted to 13.6% (10.4%), and the return on equity (RoE) to 11.8% (10.6%).

Premium income fell year on year due to currency translation effects. If exchange rates had remained unchanged, the decline would have been only –1.9% for the first nine months and –3.0% for the third quarter.

Major-loss expenditure from natural catastrophes was significantly below the expected level and contributed to the good technical result.

Our investment result for the first three quarters exceeded the level of the same period last year by 12.9%. It was underpinned by gains on disposals, particularly of equities and fixed-interest securities. The figure for July to September was 16.4% lower year on year, mainly because of losses from derivatives in reinsurance.

For the first nine months and third quarter of 2014, the consolidated result was thus somewhat higher than in the same periods last year. Currency translation effects had a negative impact, whereas the tax burden was low owing to the adjustment of tax receivables and liabilities in the light of recent findings.

The consolidated result and the positive growth of on-balance-sheet gains and losses on our investments due to falling interest rates meant that equity increased in comparison with the start of the year by €3.1bn to €29.3bn, although we paid out dividends of €1.3bn and repurchased shares totalling €1.1bn since the start of the year under our share buy-back programmes.

Reinsurance

- Decline in premium income to €20.2bn (21.0bn) for January to September and €6.7bn (6.9bn) for the third quarter
- Life reinsurance with a consolidated result of €283m (215m) for the first nine months; €37m (–16m) for the third quarter
- Property-casualty reinsurance with a consolidated result of €1,645m (1,488m) for the first three quarters; €496m (527m) for the third quarter
- Combined ratio of 93.2% (93.1%) for property-casualty business for the first nine months and 91.3% (94.3%) for the third quarter
- Investment result of €1,882m (1,888m) for January to September and €369m (862m) for the third quarter
- Generally satisfactory consolidated result of €1,928m (1,703m) for January to September; €533m (511m) for the third quarter

Munich Re operates in virtually all classes of reinsurance. We offer a full range of products, from traditional reinsurance to innovative risk covers, using our extensive risk knowledge to develop individual solutions for our clients that precisely match their needs.

Reinsurance – Life

Key figures

		Q1–3 2014	Q1–3 2013	Change	Q3 2014	Q3 2013	Change
				%			%
Gross premiums written	€m	7,393	8,194	–9.8	2,449	2,631	–6.9
Share of gross premiums written in reinsurance	%	36.7	39.0		36.4	38.2	
Operating result	€m	388	356	9.0	56	44	27.3
Consolidated result	€m	283	215	31.6	37	–16	–

Premium

Premium for the first three quarters declined by 9.8% year on year, partly owing to adverse currency translation effects. With around 90% of our business written outside the eurozone, currency translation effects have a significant impact on premium development. If exchange rates had remained unchanged, premium volume would have been down by only 4.6% for the first three quarters and 5.2% for the period July to September.

The deterioration is largely attributable to the fact that, although we successfully renewed existing major treaties, the volume in some cases was reduced. These treaties have played a key part in the pleasing premium development we have seen in recent years. They generally run for a period of several years and have been concluded mainly in North America, Asia and continental Europe, with reinsurance primarily serving as a capital substitute for our clients.

Overall, the growth of the Asian insurance markets is still fuelling our business. However, primary insurance business has been impacted by the weak economy in many other markets, which has also had a dampening effect on the demand for reinsurance and thus on our premium development.

Result

In the third quarter of 2014, we delivered a technical result of €57m (–27m), which fell short of our expectations owing to a one-off impact from the commutation of individual treaties in the USA. Apart from this, the claims burden in the USA was lower in the third quarter than in the first two quarters of the year. The results in all other important markets also developed as expected or better. We thus posted a technical result of €278m (273m) for the period January to September.

The investment result of €587m for the first three quarters was down on the same period last year (€619m), largely owing to the decline in regular income. The higher gains on the disposal of equities were more than offset by diminished net gains from derivatives. The investment result for the third quarter totalled €155m (257m). This decline was due to the decreased net gains from derivatives.

The operating result and consolidated result fell short of our high expectations, but were still at a satisfactory level.

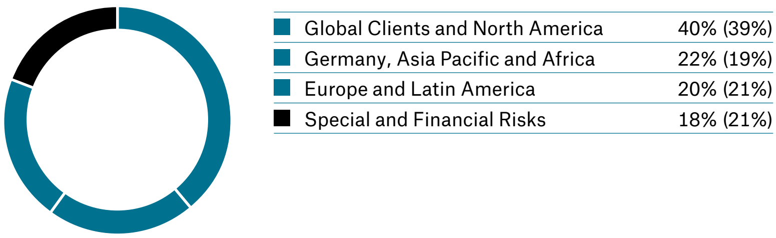
Reinsurance – Property-casualty

Key figures

		Q1–3 2014	Q1–3 2013	Change	Q3 2014	Q3 2013	Change
				%			%
Gross premiums written	€m	12,762	12,796	–0.3	4,284	4,263	0.5
Share of gross premiums written in reinsurance	%	63.3	61.0		63.6	61.8	
Loss ratio	%	62.8	63.3		61.7	64.1	
Thereof: Major losses	Percentage points	7.5	10.8		6.4	14.8	
Expense ratio	%	30.4	29.8		29.6	30.2	
Combined ratio	%	93.2	93.1		91.3	94.3	
Operating result	€m	2,061	2,027	1.7	542	801	–32.3
Consolidated result	€m	1,645	1,488	10.6	496	527	–5.9

Premium

Gross premiums by division – Q1–3 2014



Our premium income in property-casualty reinsurance decreased year on year by 0.3% to €12.76bn (12.80bn) in the period from January to September, and totalled €4.3bn (4.3bn) for the period from July to September. The decline was chiefly attributable to the development of the euro against other currencies, which had an adverse impact on our premium income. If exchange rates had remained the same, premium income would have risen year on year by 2.5% for the first nine months and 0.4% for the third quarter.

The renewals at 1 July 2014 mainly involved treaty business in the US market and in Australia and Latin America, with a premium volume of around €2.0bn up for renewal. This represents around 12% of Munich Re's property-casualty business. Owing to our strict cycle management, premium volume in this renewal season was around 7% lower year on year. This figure also reflects a reduction in prices of roughly 3.6 percentage points. Nevertheless, our portfolio remains profitable even after the deterioration in prices in recent renewal rounds, albeit at a lower level.

Result

The technical result in the property-casualty reinsurance segment totalled €1,717m (1,728m) for January to September, of which €657m (525m) was attributable to the third quarter. Overall expenditure for major losses in the first nine months and in the third quarter was below our expectations. The figure after retrocession and before tax dropped to €914m (1,306m) for the period from January to September and €257m (595m) for the third quarter.

Expenditure for natural catastrophes was well below our expectations and totalled €427m (645m) for the first nine months and €100m (306m) for the third quarter. Moreover, reserve adjustments were made for prior financial years, which practically offset each other in total. In September, Hurricane Odile caused severe damage in northwestern Mexico, which we expect will result in expenditure of around €65m. The month of August saw further sizeable losses from heavy rainfall in various parts of the USA, which will cost an estimated €35m.

Man-made losses were somewhat higher than expected owing to random factors, totalling €487m (661m) for the first nine months and €158m (288m) for the third quarter. The largest individual losses for the period under review were an aviation loss owing to a plane crash and a fire loss in an American chemicals factory, each impacting us with around €25m.

The combined ratio amounted to 93.2% (93.1%) of net earned premiums for the first nine months of the year and 91.3% (94.3%) for the third quarter. The overall burden from major losses included in this figure was 7.5 (10.8) percentage points for the first three quarters and 6.4 (14.8) percentage points for the months July to September, i.e. below the expected range.

In addition to the comprehensive reassessment of provisions for basic losses that we carry out primarily towards the end of the year, we also perform detailed quarterly analyses of the claims advices we receive. Due to our careful reserving policy, the claims burden accounted for when an underwriting year's claims expenditure is first recorded tends to be higher. As a consequence, positive result contributions are possible up to the final settlement of a claim. As the claims notifications remained significantly below the expected level, we made reserve releases of €160m in the third quarter.

At €1,295m, the investment result for the first three quarters was only marginally higher than in the same period last year (€1,269m). Higher gains on the disposal of equities and interest-bearing securities contrasted with lower regular interest income and higher write-downs of our equity and interest-rate derivatives. In the third quarter, the investment result amounted to €214m (605m). The significant decline was mainly attributable to a diminished result from our inflation, commodity and equity derivatives.

Overall, we achieved a good operating result and consolidated result.

In August, our Australian subsidiary Great Lakes Australia reached an agreement to support the broker network, Steadfast Group, in their proposed acquisition of the listed insurance company Calliden Group Ltd. As part of this transaction, Munich Re will acquire Calliden Insurance Ltd., an insurance company that distributes its products through a number of underwriting agencies. The purchase price will be approximately €28m. The transaction is expected to be completed by the end of the year, after the requisite approvals have been obtained from the competent authorities and from shareholders.

Primary insurance

- Total premium income of €13.6bn (13.6bn) for the first nine months; €4.3bn (4.3bn) for the third quarter
- Increased premium income in life insurance of €5.1bn (4.9bn) for January to September and €1.6bn (1.6bn) for the third quarter
- Improved result in health insurance for the period January to September and for the third quarter
- Combined ratio of 95.6% (97.1%) for property-casualty business for the first nine months and 95.8% (99.2%) for the third quarter
- Higher year-on-year investment result of €4.4bn (3.7bn) for January to September, partly owing to write-ups of interest-rate derivatives; €1.4bn (1.3bn) for the third quarter
- Good consolidated result of €413m (360m) for January to September and €155m (94m) for the third quarter

Munich Re's primary insurance segment comprises the activities of the ERGO Insurance Group (ERGO), which operates in all lines of life, health and property-casualty insurance. It is a leading provider across all classes of business in Germany. In international business, ERGO's focus is mainly on the growth markets in central and eastern Europe, and Asia. Its claim "To insure is to understand" is being systematically implemented by ERGO in the form of needs-based sales advice, tailored products, clear and understandable communication, innovative services and swift support when loss or damage occurs.

Primary insurance – Life

Key figures

		Q1–3 2014	Q1–3 2013	Change	Q3 2014	Q3 2013	Change
				%			%
Total premium income[1]	€m	5,061	4,919	2.9	1,635	1,595	2.5
Gross premiums written	€m	4,097	3,936	4.1	1,349	1,278	5.6
Share of gross premiums written in primary insurance	%	32.4	31.2		33.6	32.0	
Operating result	€m	247	42	488.1	108	8	>1,000.0
Consolidated result	€m	153	92	66.3	71	28	153.6

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 statutory accounting guidelines applicable in the insurer's home country.

Premium
Total premium income in life insurance increased year on year both for the first nine months and for the third quarter. However, development varied between Germany and other countries.

In Germany, premium income totalled €3,582m (3,709m) for the period January to September and €1,139m (1,202m) for the third quarter. The decrease was due especially to lower regular premium volume. In the case of single premium income, we were able to partly offset the fall in the shorter-term-oriented capitalisation product Maxi-Zins with satisfying growth in company pension business. Hence, altogether gross premiums written declined to €2,904m (2,996m) for the first nine months and €943m (978m) for the period July to September. As in previous quarters, persistently low interest rates again created a difficult market environment. German new business fell by 4.2% to €790m (825m) since the beginning of the year, also because the figure for the first nine months of 2013 had been inflated by a large number of policies concluded in 2012 but not accounted for until 2013. In terms of annual premium equivalent (APE, i.e. regular premium income plus one-tenth of single-premium volume), which is the performance measure more customarily used among investors, our new business volume was down 7.8%.

The new generation of life insurance products ERGO has been marketing since July 2013 in two variants has been well received by our brokers and clients alike, and in the first three quarters of 2014 accounted for more than 70% of annuity policies ERGO sold in private-client business not sponsored by the state.

In international business, total premium volume amounted to €1,479m (1,210m) for the first nine months and €496m (393m) for the period July to September. The marked year-on-year increase is due in particular to good growth in Poland, Austria and Belgium. Consequently, gross premiums written climbed to €1,193m (940m) for the first three quarters and €406m (300m) for July to September. German new business grew robustly by 63.2% to €875m (536m) from January to September. In terms of APE, growth amounted to 35.4%, mainly owing to the good situation in Poland.

Result
The technical result showed a slight year-on-year increase to –€40m (–46m) for the period January to September; in the third quarter, it amounted to €2m (–10m). Compared with the same period last year, the negative result was due in particular to much higher claims expenses. The result was also reduced by the reserve set aside for possible repayment claims as a consequence of the decisions by the Court of Justice of the European Union and the German Federal Court of Justice (BGH) regarding policyholders’ right to withdraw from life insurance policies concluded under the policy model. The investment result totalled €3,139m (2,405m) for the first nine months and €981m (868m) for the third quarter. This significant improvement was largely attributable to a higher balance from write-ups and write-downs, mainly due to write-ups of interest-rate derivatives – primarily in international business.

The increased investment result was the main reason for the enhanced operating result. The consolidated result also showed an improvement.

Primary insurance – Health

Key figures

		Q1–3 2014	Q1–3 2013	Change	Q3 2014	Q3 2013	Change
				%			%
Gross premiums written	€m	4,275	4,289	–0.3	1,423	1,421	0.1
Share of gross premiums written in primary insurance	%	33.8	34.0		35.4	35.6	
Operating result	€m	209	221	–5.4	59	92	–35.9
Consolidated result	€m	132	113	16.8	53	50	6.0

Premium
In the health segment, premium income since the beginning of the year amounted to €4,275m (4,289m), a slight decrease year on year. In the third quarter, this figure was €1,423m (1,421m). Premiums for the first nine months of 2014 grew year on year by 2.4% in supplementary health insurance, but fell by 1.4% in comprehensive health insurance. In comprehensive health business, premium income was mainly impacted by two effects: the falling number of insureds, and low premium adjustments as at 1 April. New business in comprehensive health insurance declined (–14.7%) in the first three quarters compared with the same period last year, because the figure for the first nine months of 2013 had been inflated by a large number of policies concluded in 2012 but not accounted for until 2013. This fact was also responsible for the decrease in supplementary health insurance, which at 10.6% was less pronounced than in comprehensive health insurance.

In travel insurance, which we account for in the health segment and write in Germany and abroad, premium volume for the period January to September 2014 totalled €344m and was thus roughly at the same level (-0.6%) as in the same period last year (€346m). While German business increased by 14.6%, premium income from international business dropped by 22.9% owing to individual portfolio restructuring measures.

Result
Our technical result totalled €293m (302m) for the period January to September and €90m (117m) for the third quarter. The slight decline owes partly to higher benefits in comprehensive health business. There were contrasting developments in travel insurance, with an improved claims situation, and in direct insurance, with lower costs and simultaneous premium growth. At €1,063m (1,001m), the investment result was favourable from January to September, and was also good at €342m (305m) for July to September, one positive contributing factor being an increased result from disposals.

Overall, we posted a lower operating result and higher consolidated result.

Primary insurance – Property-casualty

Key figures

		Q1–3 2014	Q1–3 2013	Change	Q3 2014	Q3 2013	Change
				%			%
Gross premiums written	€m	4,263	4,387	–2.8	1,245	1,293	-3.7
Share of gross premiums written in primary insurance	%	33.8	34.8		31.0	32.4	
Loss ratio	%	61.2	63.3		61.7	66.2	
Expense ratio	%	34.4	33.8		34.1	33.0	
Combined ratio	%	95.6	97.1		95.8	99.2	
Operating result	€m	322	335	–3.9	84	70	20.0
Consolidated result	€m	128	155	–17.4	31	16	93.8

Premium
Premium income declined year on year in Germany and in other countries.

In Germany, total premium volume amounted to €2,624m (2,730m) for the first nine months and €720m (804m) for the period July to September. Development in the individual fields of business differed. Commercial and industrial business saw a 2.7% fall in premium, deriving chiefly from improvement measures – mainly in industrial property insurance. Personal lines property business showed a 4.9% year-on-year reduction in premium income, above all due to improvement measures in homeowners' comprehensive insurance. By contrast, premium volume in private third-party liability insurance was up by 0.8%. In legal protection insurance and personal accident business, we saw a general decline in premium income. However, premium was up marginally by 0.9% in motor insurance.

Protection against floods is gaining in importance – not only in the vicinity of rivers. Prompted by the consequences of the flooding on the Danube and Elbe in 2013, ERGO improved insurance coverage for residential buildings in Germany and made even those buildings insurable that are situated in particularly exposed areas, i.e. in zone 4 of the ZÜRS zoning system. Since September 2014, ERGO has been offering coverage against flooding and heavy rainfall in all areas.

In international business, we posted total premium volume of €1,639m (1,657m) for the first nine months and €525m (489m) for the period July to September. The decline was mainly attributable to negative currency translation effects. Property-casualty business (without legal protection insurance) showed a decrease of 2.2% to €1,139m (1,165m) in the first three quarters. We posted lower premium volume in Poland and Turkey in particular. Negative currency translation effects became apparent in Turkey, although premium income was up in local currency. In international legal protection business, gross premiums written rose by 1.6% to €500m (492m), primarily influenced by good growth in Belgium.

Result
The technical result showed a year-on-year increase to €297m (245m) since the beginning of 2014 and €102m (61m) in the third quarter. The combined ratio for January to September was 95.6% of net earned premiums – an improvement on the same period last year (97.1%). In the third quarter, this figure was 95.8% (99.2%). The combined ratio for German business amounted to 94.5%, which was 2.0 percentage points better than in the same period last year.. This development was particularly due to the favourable claims situation. Whilst bad weather across much of western Germany at the beginning of June caused considerable damage to buildings and motor vehicles, the effects this had on the combined ratio were minor in a year-on-year comparison. In the same period of the previous year, we had posted natural hazard losses from the catastrophic flooding in eastern and southern Germany, and from windstorm and hail events. In international business, the combined ratio improved to

97.5% (98.1%), with improvements especially in the UK, the Netherlands, Belgium and Russia.

Since the start of the year, the investment result was down year on year from €300m to €238m for the first nine months and from €81m to €47m for the third quarter. The fall is mainly due to lower regular income and a decrease in the result from disposals.

Overall, we posted a lower operating result and consolidated result for property-casualty business.

In the third quarter, ERGO appreciably expanded its presence in Greece. We purchased all shares in the Greek insurer ATE Insurance S.A., Athens, from Piraeus Bank for €90.1m in mid-August, making ERGO the largest property-casualty insurer in Greece. We are convinced of the potential of the Greek insurance market. Moreover, the transaction secures the basis for expanding our long-term partnership with Piraeus Bank. Bancassurance is now one of ERGO's main sales channels in Greece and contributes significantly to its profitability.

Munich Health

— Gross premium income of €4.0bn (5.0bn) for January to September below previous-year level; €1.3bn (1.6bn) for the third quarter
— Slightly higher combined ratio of 98.5% (98.0%) for the first nine months; 96.7% (96.2%) for the third quarter
— Decreased investment result of €58m (67m) for the first three quarters and €15m (–20m) for the third quarter
— Slight increase in the consolidated result to €95m (94m) for the first three quarters and €53m (26m) for the third quarter

Key figures

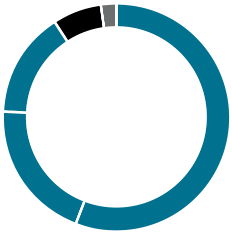
		Q1–3 2014	Q1–3 2013	Change	Q3 2014	Q3 2013	Change
				%			%
Gross premiums written	€m	4,043	4,988	–18.9	1,303	1,611	–19.1
Loss ratio[1]	%	82.0	79.7		80.9	79.2	
Expense ratio[1]	%	16.5	18.3		15.8	17.0	
Combined ratio[1]	%	98.5	98.0		96.7	96.2	
Operating result	€m	111	133	–16.5	51	33	54.5
Consolidated result	€m	95	94	1.1	53	26	103.8

1 Excluding business conducted like life insurance.

With the exception of the German health insurers belonging to ERGO, Munich Re's global healthcare insurance and reinsurance business is combined under the Munich Health brand. We offer our international clients across the world innovative insurance solutions and individual consultancy and services.

Premium

Gross premiums by market region – Q1–3 2014



North America	56% (64%)
Northern/Eastern/Central Europe	20% (15%)
Southern Europe/Latin America	15% (13%)
Middle East/Africa	7% (5%)
Asia/Pacific	2% (3%)

Gross premiums written for the first nine months were down year on year. In reinsurance, the decrease of 12.5% to €3.1bn (3.5bn) was attributable to adverse effects from the exchange rate of the Canadian dollar, and to a reduction of our share in a large-volume treaty in North America. In primary insurance, there was a decrease of 34.2% to €1.0bn (1.5bn), which was mainly due to the sale of the Windsor Health Group (WHG). By contrast, our companies in Belgium and Spain increased their premium income. If exchange rates had remained unchanged, and adjusted for the sale of WHG, Munich Health's gross premiums would have decreased year on year by 3.4% in the first nine months and 5.5% in the third quarter.

Result

The technical result decreased year on year to €88m (117m) for the first nine months and €50m (72m) for the third quarter, owing mainly to the absence of WHG's contribution.

The Munich Health combined ratio, which relates only to short-term health business, and not to business conducted like life insurance, amounted to 98.5% (98.0%) for the period January to September and 96.7% (96.2%) for the third quarter. Business conducted like life insurance accounted for 9.8% (7.6%) of gross premiums written in the first nine months of 2014. In reinsurance, the combined ratio amounted to 99.5% (99.4%) for the first nine months and 99.7% (100.3%) for the third quarter. In primary insurance, the combined ratio was 92.9% (93.4%) for the first nine months and 81.1% (83.2%) for the period from July to September.

We achieved an investment result of €58m (67m) for the first nine months and €15m (–20m) for the third quarter. The first nine months in the previous year had been marked by high gains on disposals in the first three months, and by the losses from the sale of WHG in the third quarter; overall, there was a positive one-off effect.

Thanks to lower taxes on income, the consolidated result is at the same level as in the previous year – despite a lower operating result.

Investment performance

- Fall in interest rates leads to higher market values of €237.3bn (217.7bn)
- Increase in valuation reserves to €26.5bn (15.2bn)
- Investment result of €6.4bn (5.7bn) in the first three quarters, and €1.8bn (2.1bn) from July to September

We gear the selection of our investments to the economic characteristics of our technical provisions and liabilities. In addition, we use derivative financial instruments for portfolio management (especially for acquisition preparation) and hedging against fluctuations on the interest-rate, equity and currency markets. Volatility in the markets results in changes in the values of derivatives, which under IFRS accounting we recognise in profit or loss.

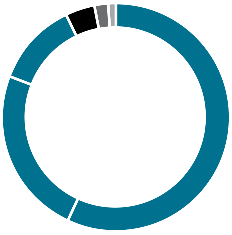
Investment mix

	Reinsurance					
	Life		Property-casualty		Life	
€m	30.9.2014	31.12.2013	30.9.2014	31.12.2013	30.9.2014	31.12.2013
Land and buildings, including buildings on third-party land	253	263	1,209	1,218	1,332	1,358
Investments in affiliated companies	22	19	102	81	46	44
Investments in associates	1	–	756	737	59	93
Loans	36	34	162	125	34,452	35,185
Other securities held to maturity	–	–	–	–	1	5
Other securities available for sale						
Fixed-interest	14,958	12,822	49,424	43,156	36,698	33,037
Non-fixed-interest	1,240	1,273	5,491	6,096	2,489	2,537
Other securities at fair value through profit or loss						
Held for trading						
Fixed-interest	–	–	16	595	31	52
Non-fixed-interest	–	–	42	36	1	–
Derivatives	744	650	240	406	1,103	823
Designated as at fair value through profit or loss						
Fixed-interest	–	–	–	–	203	163
Non-fixed-interest	–	–	–	–	1	1
Deposits retained on assumed reinsurance	7,586	7,847	1,267	1,279	73	128
Other investments	368	409	1,367	1,451	1,179	901
Investments for the benefit of life insurance policyholders who bear the investment risk	–	–	–	–	7,510	6,698
Total	**25,208**	**23,317**	**60,076**	**55,180**	**85,178**	**81,025**

	Primary insurance				Munich Health		Asset management		Total	
	Health		Property-casualty							
	30.9.2014	31.12.2013	30.9.2014	31.12.2013	30.9.2014	31.12.2013	30.9.2014	31.12.2013	30.9.2014	31.12.2013
	747	755	93	93	10	10	65	65	3,709	3,762
	11	11	56	49	1	1	16	9	254	214
	175	169	167	163	89	93	35	45	1,282	1,300
	18,353	17,916	1,849	1,961	24	22	2	2	54,878	55,245
	–	–	–	–	–	–	–	–	1	5
	16,558	15,179	6,171	5,929	3,127	2,858	574	690	127,510	113,671
	1,315	1,053	1,163	1,071	29	125	89	76	11,816	12,231
	–	–	–	–	–	–	–	–	47	647
	–	–	–	–	1	1	–	–	44	37
	163	127	24	31	3	2	–	–	2,277	2,039
	–	–	–	–	–	–	–	–	203	163
	–	–	–	–	–	–	–	–	1	1
	1	1	9	5	336	376	–	–	9,272	9,636
	438	207	733	323	129	80	249	453	4,463	3,824
	–	–	–	–	1	1	–	–	7,511	6,699
	37,761	**35,418**	**10,265**	**9,625**	**3,750**	**3,569**	**1,030**	**1,340**	**223,268**	**209,474**

Distribution of investments by type

Total: €223bn (209bn)



Fixed-interest securities	57% (55%)
Loans	24% (26%)
Miscellaneous investments	12% (12%)
Shares and equity funds	4% (4%)
Real estate	2% (2%)
Participating interests	1% (1%)

The carrying amount of our investment portfolio, which continues to be dominated by fixed-interest securities, loans and short-term fixed-interest investments, was up compared with the position at the beginning of the year. At 30 September 2014, the carrying amount of our investments amounted to €223.3bn (209.5bn). Falling risk-free interest rates, credit risk spreads and the development of exchange rates led to increasing market values.

In the period under review, we reduced our portfolio of covered bonds and structured credit products to some extent and instead invested more in government bonds.

The fall in interest rates resulted in an increase in on- and off-balance-sheet gains and losses, which would be posted to the income statement upon disposal of the relevant investments. Excluding owner-occupied property, these climbed from €15.2bn at 31 December 2013 to €26.5bn at 30 September 2014.

Other securities available for sale

	Carrying amounts		On-balance-sheet unrealised gains and losses		At amortised cost	
€m	30.9.2014	31.12.2013	30.9.2014	31.12.2013	30.9.2014	31.12.2013
Fixed-interest	127,510	113,671	10,097	4,661	117,413	109,010
Non-fixed-interest	11,816	12,231	2,072	1,975	9,744	10,256
Total	**139,326**	**125,902**	**12,169**	**6,636**	**127,157**	**119,266**

Off-balance-sheet unrealised gains and losses

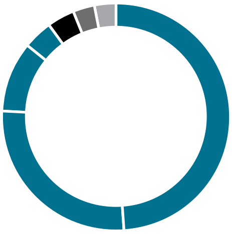
	Fair values		Off-balance-sheet unrealised gains and losses		Carrying amounts	
€m	30.9.2014	31.12.2013	30.9.2014	31.12.2013	30.9.2014	31.12.2013
Land and buildings[1]	8,431	8,353	2,269	2,172	6,162	6,181
Associates	1,646	1,721	371	430	1,275	1,291
Loans	66,679	61,316	11,801	6,071	54,878	55,245
Other securities	1	5	–	–	1	5
Total	**76,757**	**71,395**	**14,441**	**8,673**	**62,316**	**62,722**

1 Including owner-occupied property.

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

Fixed-interest portfolio according to economic categories[1]

Total: €203bn (184bn)



Government bonds[2]	49% (46%)
Thereof: Inflation-linked bonds	8% (8%)
Pfandbriefs/Covered bonds	27% (29%)
Corporate bonds	10% (10%)
Cash/Other	4% (5%)
Bank bonds	4% (3%)
Structured products (credit structures)	3% (4%)
Policy and mortgage loans	3% (3%)

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

Nearly half of our fixed-interest portfolio is invested in government bonds. In the current financial year, we have mainly made new investments in US, French, Spanish and Italian government bonds. The purchase of government bonds from emerging markets is also part of our balanced investment strategy. Reductions focused on our holdings of bonds from German issuers. The vast majority of our government bonds continue to come from countries with a high credit rating. As part of our risk management, we gear our risk capital requirements and limits to the ratings of the relevant issuers, but we do not treat any credit exposure as risk-free. At present, 44% of our government bond portfolio is made up of German and US bonds, with 9% from Italian, Spanish, Portuguese and Irish issuers. We do not hold any government bonds from Greece, Cyprus or Argentina.

Our portfolio of covered bonds decreased. Above all, we cut back on German pfandbriefs by not reinvesting after scheduled redemptions; but our overall portfolio nevertheless continues to be dominated by German pfandbriefs.

Fixed-interest securities: Bank bonds[1]

%	30.9.2014	31.12.2013
Senior bonds	81	84
Loss-bearing bonds	5	5
Subordinated bonds	14	11

1 Presentation essentially shows fixed-interest securities and loans at market value. The approximation is not fully comparable with the IFRS figures.

We increased our holdings of bank bonds slightly to 4% (3%) of our portfolio of fixed-interest securities.

Corporate bonds from other sectors account for 10% (10%) of our portfolio of fixed-interest securities, our exposure being increased by a further percentage point through credit derivatives.

We ensure that the terms of fixed-interest investments do not deviate far from those of our liabilities. Thanks to this active duration management, the economic interest-rate risk within the Group remains at a low level.

The carrying amount of our equity portfolio (before taking derivatives into account, and including investments in affiliated companies and associates at market value) fell slightly in the first three quarters. The equity-backing ratio amounted to 4.2% (4.6%). The derivatives used to hedge our equity portfolio were increased, thus slightly decreasing our equity exposure. Including hedges, our equity backing ratio was 3.8% (4.5%). Besides this, we are protecting ourselves against accelerated inflation in an environment of continuing low interest rates. For this, we hold inflation-linked bonds with a volume of €7.8bn (6.8bn) and inflation-linked swaps with an exposure of €5.7bn (4.4bn). Real assets like shares, property, commodities, and investments in renewable energies and infrastructure also serve as protection against inflation, and have a positive diversification effect on the overall portfolio.

Investment result

	Q1–3 2014	Return[1]	Q1–3 2013	Return[1]	Q3 2014	Q3 2013
	€m	%	€m	%	€m	€m
Regular income	5,429	3.2	5,686	3.4	1,793	1,860
Write-ups/write-downs	–194	-0.1	–541	-0.3	–223	–96
Net realised capital gains	1,214	0.7	729	0.4	261	266
Other income/expenses	–57	0.0	–212	-0.1	–76	69
Total	**6,392**	**3.8**	**5,662**	**3.4**	**1,755**	**2,099**

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

Regular income

Regular income was down slightly year on year in the first nine months and also in the third quarter – despite the increased value of the investment portfolio. Due to the further decline in interest rates, yields on fixed-interest securities newly purchased over the last three months remained lower at 2.2% than the average return on our existing portfolio. In the period from April to June, we had still been investing at 2.7%.

Write-ups and write-downs.

In the first three quarters, we posted net write-downs of €194m (541m); for the third quarter, this figure was €223m (96m). The write-downs result mainly from our interest-rate and inflation derivatives in reinsurance. They could not be balanced by high write-ups to our interest-rate hedging programme in life primary insurance. However, in comparison with the first three quarters of the previous year, the higher write-ups made a considerable contribution to the much better balance resulting from rising market values. We use interest-rate hedges to ensure that we can meet the long-term interest-rate guarantees extended to our clients. However, in comparison with the third quarter of the previous year, the improved result from the interest-rate hedging programme was overshadowed by high levels of write-downs for our inflation and commodity derivatives and our -physical gold holdings.

Realised gains/losses on investments

In the first three quarters, we posted net gains on disposal of €1,214m (729m) through active asset management; for the third quarter, this figure was €261m (266m). This positive development overall is due in particular to the disposal of equities in reinsurance and to sales from the portfolio of fixed-interest securities – most notably government bonds. However, the high gains on equities are compared with losses on equity derivatives used for hedging and acquisition-preparation operations.

Insurance-linked derivatives

				30.9.2014	31.12.2013	Change
				€m	€m	%
Insurance-linked derivatives in investments				706	569	24.1
Liabilities from insurance-linked derivatives				561	427	31.4
	Q1–3 2014	Q1–3 2013	Change	Q3 2014	Q3 2013	Change
	€m	€m	%	€m	€m	%
Result from insurance-linked derivatives	–5	–3	–66.7	8	1	700.0

Insurance-linked derivatives
Under insurance-linked derivatives, we subsume the derivative portions of natural catastrophe bonds and of securitisations of mortality and morbidity risks, individually structured insurance-linked derivatives, and derivative components which are separated from their host contract in accounting. This category also includes retrocessions in the form of derivatives to hedge insurance risks assumed, and embedded derivatives in variable annuities and their derivative hedging instruments. All income and expenditure arising from our insurance-linked derivatives is shown as a result from derivatives in the investment result.

Asset management for clients
MEAG MUNICH ERGO AssetManagement GmbH (MEAG) is the asset manager of Munich Re. Through its investment company, MEAG also offers its expertise to private and institutional clients directly and via funds.

Assets under management for third parties

				30.9.2014	31.12.2013	Change
				€bn	€bn	%
Third-party investments				13.5	12.9	4.9
Thereof: External institutional investors				10.5	10.2	3.0
Thereof: Private-client business				3.0	2.7	12.5

Prospects

- Gross premium income of approximately €48bn expected
- Return on investment likely to be around 3.5%
- Profit guidance raised to slightly above €3bn

Our expectations for the future are based primarily on planning figures and forecasts whose realisation we, of course, cannot guarantee. Losses from natural catastrophes and other major losses, for example, can have a strong effect on the result of the reporting period in which they randomly and unforeseeably occur. Late-reported claims for major loss events can also lead to significant fluctuations in individual quarterly or annual results. In addition, changes in fiscal parameters and other special factors can have a considerable impact. The results of individual quarters are therefore not always a reliable indicator for the results of the financial year as a whole.

Fluctuations of the capital markets and exchange rates as well as the special features of IFRS accounting also make it difficult to provide a forecast. 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. Changes in the market value and net gains or losses on the disposal of derivatives used by us as hedging instruments and for fine-tuning investments can also substantially impact the result. Changes in exchange rates influence our premium income and results in different directions, depending on which foreign currencies are affected. There may be significant swings if exchange-rate fluctuations are strong, although economically speaking – relative to the volume of our business and our investments – we hold few open currency items on our books.

Reinsurance

Reinsurance remains an attractive business field, with a wide variety of earnings opportunities for us. Although insurance density in the western industrialised countries and individual Asian nations that have been well advanced for decades is already high, even these markets often have an additional need for insurance cover. This is because weather-related natural hazards exposure is showing an increasing trend as the climate changes and the concentration of values in exposed regions becomes greater. And even previously, a large share of the losses from major natural catastrophes have not been insured. Especially in regions with very rapid economic development, the demand for insurance is likely to increase significantly, in order to protect the large centres of high-quality industrial manufacturing and the rising prosperity of the population. Moreover, generally only a small portion of the risks from potential liability claims by third parties are insured, particularly for those advanced and complex technologies that are important for the overall benefit of society. As a result, the strongly increasing capacity supply in the primary insurance and reinsurance sectors at present is matched by a demand potential in many classes of business that is not yet exhausted.

Munich Re offers its cedants specialist consulting services and extensive solutions, also for issues in connection with accounting, risk modelling and asset-liability management. Reinsurance provides primary insurers with efficient and flexible protection against major claims and accumulation losses, and strengthens their capital base. In addition to this, we devise innovative coverage concepts that go beyond the scope of traditional reinsurance and, to an increasing extent, also beyond the conventional boundaries of insurability. Thus, for example, we cover performance guarantees for solar modules, offer coverage for internet risks, and for the effects of weather fluctuations on the financial position of companies. This allows us to already take advantage of new profit potential, and balance out some of the reductions in traditional business. In connection with alternative risk transfer, we exploit the advantages of the dynamic market environment and securitise insurance risks on the capital markets both for our clients and for us. We also partner our clients in the often challenging task of adjusting to changes in regulatory requirements, which are currently being revised in many countries.

In life reinsurance, we are expecting development to be subdued. Premium volume in primary insurance has seen stagnation in many important regions for our business. This is due to the generally weak economy and reduced readiness to purchase insurance because of the financial crisis. We are also noticing a tendency towards increased retentions by our clients. Stimuli will derive especially from the dynamic expansion of the Asian life insurance markets. We structure our products so that they are tailored to our clients' needs while conforming to our risk strategy.

For 2014, we expect gross premiums written in life reinsurance to continue to be in the region of just over €9.5bn. The decline of almost €1bn compared with the forecast we made in our Annual Report 2013 is mainly due to negative currency translation effects. Our target for the technical result is a total of around €400m, subject to the outcome of our customary review of reserves in the fourth quarter.

In property-casualty reinsurance, which is traditionally heavily exposed to pricing cycles and random fluctuations in major losses, Munich Re will maintain its clear, profit-oriented underwriting policy and accept risks only at commensurate prices, terms and conditions. We are currently experiencing unrelenting competition. On the one hand, given their good capitalisation, primary insurers are ceding fewer risks to reinsurers. On the other hand, reinsurers are able to provide ample capacity, since their capital base has also steadily improved thanks to the good results posted over the last few years. There is thus currently appreciable surplus capacity on the supply side. Last but not least, insurance-linked securities and other forms of reinsurance-like transactions are also increasingly being favoured by institutional investors such as pension funds in their search for a reasonable return. This capital is mainly being channelled into non-proportional catastrophe business, such as covers for hurricane losses in the USA, so reinsurers that have previously focused on this business are seeking to diversify into other areas. The prices, terms and conditions for reinsurance cover have therefore come under increasing pressure. This has also impacted Munich Re's portfolio, as the price erosion in the most recent treaty renewals has shown. It is still too early to say whether the currently observable initial signs of a certain stabilisation, in particular of prices for insurance-linked securities, herald a sustainable consolidation of the reinsurance markets. If, contrary to expectations, there were a further significant fall in prices, Munich Re would withdraw from an even more substantial volume of business.

As a well-diversified reinsurer with extensive know-how, we are able to offer tailor-made solutions, in contrast to most providers. These include multi-year treaties (occasionally incorporating cross-line and cross-regional covers), retroactive reinsurance solutions, transactions for capital relief, and the insurance of complex liability, credit and industrial risks. Moreover, with our technical expertise and risk knowledge, we are in a position to support rapidly growing industries and to judiciously extend the boundaries of insurability with needs-based covers.

For 2014, we anticipate that gross premiums written in property-casualty reinsurance will total just over €16.5bn. The decline of almost €1bn compared with the forecast we made in our Annual Report 2013 is largely due to negative currency translation effects. The combined ratio is likely to be around 94% of net premiums earned. The improvement of one percentage point compared with the estimate published in our half-year financial report is due to major-loss expenditure in the third quarter that was much lower than expected. Major losses for the first three quarters also remained below expectations. The fact that our estimated combined loss ratio of 94% for 2014 remains at the same level as the 2014 figure we anticipated in our Annual Report 2013 is due to price reductions and a change in the portfolio mix, particularly the increased share of long-tail casualty business.

Gross premium in reinsurance as a whole should be around €26bn overall in 2014, although currency translation effects could continue to have an impact on this estimate. We project that the consolidated result for 2014 in reinsurance will exceed the previously envisaged range of €2.3–2.5bn, because we have already achieved a total of €1.9bn for the first three quarters and anticipate a profitable fourth quarter. Added to this, there will be further relief in the fourth quarter from the adjustment of tax receivables and liabilities.

We expect the competitive environment to stay unchanged for the pending renewals as at 1 January 2015, and that prices will remain under pressure. Munich Re will maintain its consistently profit-oriented underwriting policy, and only accept risks at commensurate prices. In the future, we will continue to systematically withdraw from business we do not consider to be sustainably profitable, and thus in particular use innovative approaches to open up new growth potential.

Primary insurance

We see good opportunities for primary insurance, not only in evolving foreign markets but also in various sectors of the German market.

In life primary insurance, our total premium income in 2014 is likely to be around €7bn, with gross premiums written amounting to around €5.5bn. Given the low interest rates worldwide and a climate that is not conducive to private provision for old age, the environment remains challenging. Development will be substantially influenced by volatile, heavily interest-rate-dependent single-premium business, which we write very selectively. With the innovative product concept we introduced in the German market in the summer of 2013, we nevertheless see good opportunities to position ourselves promisingly in this difficult market. In July, several legislative amendments were also passed in Germany to strengthen the risk-bearing capacity of life insurers in this period of persistently low interest rates. One of these amendments, in force since September 2014, provides for a modified participation of policyholders in the valuation reserves.

For the health primary insurance segment, we are proceeding on the assumption that gross premiums written will amount to slightly over €5.5bn. In private health insurance, the premium adjustment we made in the financial year 2014 was significantly lower than in 2013. The falling number of insureds in our portfolio is leading to a decline in premium in comprehensive health cover. In supplementary health business, by contrast, we see good growth opportunities, especially in supplementary long-term care insurance and company health insurance; we therefore expect a slight increase in premium in this portion of our portfolio.

In property-casualty primary insurance, gross premiums written are likely to amount to almost €5.5bn. For German business, we are anticipating a total of somewhat less than €3.3bn. At the same time, we continue to attach great importance to adequate prices. In international business, we project gross premium volume of around €2.2bn, which also includes the first-time consolidation of the companies SHC Insurance Pte. Ltd., Singapore, and ATE Insurance S.A., Athens. The combined ratio in property-casualty business should be down year on year by around two percentage points. It should amount to a good level of around 95%, with domestic and non-German business likely to contribute to this improvement.

We anticipate that total premium income in primary insurance will be around €18bn in 2014, while gross premiums written are likely to be slightly over €16.5bn.

We project that the 2014 result for the ERGO Group will exceed the previously envisaged range of €350–450m, because we have already reached the upper end of this spread for the first three quarters and also anticipate a profitable fourth quarter. Added to this, we expect significant relief in the fourth quarter from the adjustment of tax receivables and liabilities. In our half-year report, we had projected a consolidated result for 2014 in the range of €400-500m for Munich Re's primary insurance segment, which we have already achieved with our total of €413m for the first three quarters. A change in our segment reporting at the end of the year may result in expenditure for revising our intangible asset reporting, which might exceed the potential taxable profits mentioned earlier. As the underlying parameters of the special, one-off factors have not yet been defined, it is currently not possible to make a reliable forecast – despite the clearly gratifying performance in primary insurance – for either the result of the ERGO Group or for the Group's primary insurance segment.

Munich Health

Owing to medical advances and generally improved life expectancy, the international healthcare markets offer a wide range of growth opportunities for Munich Health. We intend to utilise these opportunities even better in future, following some individual adjustments to our strategic orientation. In reinsurance, we see avenues for growth from our clients' increasing numbers of insureds and a rise in demand for customised solutions. We expect to see a slight increase in profitability in light of changes to our portfolio. Following the sale of the Windsor Health Group, we project stable development in primary insurance business, mainly marked by the profitability of our major subsidiaries in Spain and Belgium.

We are proceeding on the assumption that gross premiums written will amount to somewhat less than €5.5bn in 2014. The combined ratio is likely to be around 99%. Overall, we expect a profit that should slightly exceed our target figure of around €100m.

Munich Re (Group)

We anticipate that the Group's gross premiums written for 2014 will total around €48bn.

We are adhering to our long-term objective of a 15% return on our risk-adjusted capital (RORAC) after tax across the cycle of the insurance and interest-rate markets. However, this target will be difficult to achieve given the currently very low level of interest rates on low-risk investments.

Provided that loss experience is average in the fourth quarter, our assumption for 2014 is that Munich Re will post a technical result below last year's very good level of €3.7bn.

The investment result for 2014 should reach almost €8bn, and the anticipated return on investment should be around 3.5%.

Given the positive business performance in the first three quarters, we are now proceeding on the assumption that we will be able to slightly exceed our original profit guidance of €3bn for 2014. This is subject to the development of the capital markets and exchange rates, to the incidence of major losses in the last two months of the year, and to potential special one-off factors from the calculation of taxes and the change in our segment reporting.

Our good capitalisation enables us to continue taking selective advantage of opportunities for profitable growth in individual regions and classes of business. We also intend to carry on returning excess capital to equity holders in future, and we will continue to buy back shares for this purpose. As part of the share buy-back programme we launched in November 2013, we acquired 2.7 million Munich Re shares totalling €0.4bn this year. Provided there are no major upheavals on the capital markets or in our underwriting business, we aim to buy back further shares totalling up to €0.6bn in the period between October 2014 and the Annual General Meeting on 23 April 2015.

Beyond this, the statements relating to opportunities and risks as presented in the Munich Re Group Annual Report 2013 apply unchanged.

Interim consolidated financial statements
Consolidated balance sheet as at 30 September 2014[1]

Assets

			30.9.2014	31.12.2013		Change
	€m	€m	€m	€m	€m	%
A. Intangible assets						
I. Goodwill		3,444		3,292	152	4.6
II. Other intangible assets		1,367		1,380	–13	–0.9
			4,811	**4,672**	**139**	**3.0**
B. Investments						
I. Land and buildings, including buildings on third-party land		3,709		3,762	–53	–1.4
II. Investments in affiliated companies, associates and joint ventures		1,536		1,514	22	1.5
Thereof: Associates and joint ventures accounted for using the equity method		1,275		1,291	–16	–1.2
III. Loans		54,878		55,245	–367	–0.7
IV. Other securities						
1. Held to maturity	1			5	–4	–80.0
2. Available for sale	139,326			125,902	13,424	10.7
3. At fair value through profit or loss	2,572			2,887	–315	–10.9
		141,899		128,794	13,105	10.2
V. Deposits retained on assumed reinsurance		9,272		9,636	–364	–3.8
VI. Other investments		4,463		3,824	639	16.7
			215,757	**202,775**	**12,982**	**6.4**
C. Investments for the benefit of life insurance policyholders who bear the investment risk			**7,511**	**6,699**	**812**	**12.1**
D. Ceded share of technical provisions			**5,442**	**5,305**	**137**	**2.6**
E. Receivables						
I. Current tax receivables		612		602	10	1.7
II. Other receivables		12,014		11,375	639	5.6
			12,626	**11,977**	**649**	**5.4**
F. Cash at bank, cheques and cash in hand			**3,072**	**2,820**	**252**	**8.9**
G. Deferred acquisition costs						
Gross		9,762		9,603	159	1.7
Ceded share		73		61	12	19.7
Net			9,689	9,542	147	1.5
H. Deferred tax assets			**7,332**	**6,995**	**337**	**4.8**
I. Other assets			**3,573**	**3,527**	**46**	**1.3**
Total assets			**269,813**	**254,312**	**15,501**	**6.1**

Equity and liabilities

		30.9.2014	31.12.2013		Change
	€m	€m	€m	€m	%
A. Equity					
I. Issued capital and capital reserve	7,423		7,426	-3	0.0
II. Retained earnings	13,683		12,841	842	6.6
III. Other reserves	5,467		2,374	3,093	130.3
IV. Consolidated result attributable to Munich Reinsurance Company equity holders	2,430		3,304	-874	-26.5
V. Non-controlling interests	256		243	13	5.3
		29,259	**26,188**	**3,071**	**11.7**
B. Subordinated liabilities		**4,426**	**4,424**	**2**	**0.0**
C. Gross technical provisions					
I. Unearned premiums	8,804		7,994	810	10.1
II. Provision for future policy benefits	112,918		111,427	1,491	1.3
III. Provision for outstanding claims	56,108		53,061	3,047	5.7
IV. Other technical provisions	16,679		13,519	3,160	23.4
		194,509	**186,001**	**8,508**	**4.6**
D. Gross technical provisions for life insurance policies where the investment risk is borne by the policyholders		**7,895**	**7,043**	**852**	**12.1**
E. Other accrued liabilities		**3,837**	**3,742**	**95**	**2.5**
F. Liabilities					
I. Bonds and notes issued	270		248	22	8.9
II. Deposits retained on ceded business	2,741		2,762	-21	-0.8
III. Current tax liabilities	2,893		2,795	98	3.5
IV. Other liabilities	14,415		12,921	1,494	11.6
		20,319	**18,726**	**1,593**	**8.5**
G. Deferred tax liabilities		**9,568**	**8,188**	**1,380**	**16.9**
Total equity and liabilities		**269,813**	**254,312**	**15,501**	**6.1**

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

Consolidated income statement
1 January to 30 September 2014[1]

Items

			Q1–3 2014	Q1–3 2013		Change
	€m	€m	€m	€m	€m	%
Gross premiums written	**36,833**			**38,590**	**–1,757**	**–4.6**
1. Earned premiums						
Gross	36,429			38,069	–1,640	–4.3
Ceded	1,120			1,257	–137	–10.9
Net		35,309		36,812	–1,503	–4.1
2. Income from technical interest		**5,580**		**5,044**	**536**	**10.6**
3. Expenses for claims and benefits						
Gross	30,309			30,737	–428	–1.4
Ceded share	525			627	–102	–16.3
Net		29,784		30,110	–326	–1.1
4. Operating expenses						
Gross	8,708			9,368	–660	–7.0
Ceded share	236			241	–5	–2.1
Net		8,472		9,127	–655	–7.2
5. Technical result (1–4)			**2,633**	**2,619**	**14**	**0.5**
6. Investment result						
Investment income	10,180			9,781	399	4.1
Investment expenses	3,788			4,119	–331	–8.0
Total		**6,392**		**5,662**	**730**	**12.9**
Thereof: Income from associates and joint ventures accounted for using the equity method		53		61	–8	–13.1
7. Other operating income		**529**		**518**	**11**	**2.1**
8. Other operating expenses		**598**		**628**	**–30**	**–4.8**
9. Deduction of income from technical interest		**–5,580**		**–5,044**	**–536**	**–10.6**
10. Non-technical result (6–9)			**743**	**508**	**235**	**46.3**
11. Operating result (5 + 10)			**3,376**	**3,127**	**249**	**8.0**
12. Other non-operating result			**–466**	**–437**	**–29**	**–6.6**
13. Impairment losses of goodwill			**–**	**–**	**–**	**–**
14. Net finance costs			**–170**	**–202**	**32**	**15.8**
15. Taxes on income			**298**	**349**	**–51**	**–14.6**
16. Consolidated result (11–15)			**2,442**	**2,139**	**303**	**14.2**
Thereof: Attributable to Munich Reinsurance Company equity holders			2,430	2,119	311	14.7
Attributable to non-controlling interests			12	20	–8	–40.0
			€	€	€	%
Basic earnings per share			**14.03**	**11.82**	**2.21**	**18.7**

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

Consolidated income statement
1 July to 30 September 2014

Items

			Q3 2014	Q3 2013		Change
	€m	€m	€m	€m	€m	%
Gross premiums written	**12,053**			**12,497**	**-444**	**-3.6**
1. Earned premiums						
Gross	12,100			12,544	-444	-3.5
Ceded	391			433	-42	-9.7
Net		11,709		12,111	-402	-3.3
2. Income from technical interest		**1,776**		**1,735**	**41**	**2.4**
3. Expenses for claims and benefits						
Gross	9,872			10,688	-816	-7.6
Ceded share	200			228	-28	-12.3
Net		9,672		10,460	-788	-7.5
4. Operating expenses						
Gross	2,950			2,731	219	8.0
Ceded share	95			83	12	14.5
Net		2,855		2,648	207	7.8
5. Technical result (1–4)			**958**	**738**	**220**	**29.8**
6. Investment result						
Investment income	3,191			3,315	-124	-3.7
Investment expenses	1,436			1,216	220	18.1
Total		**1,755**		**2,099**	**-344**	**-16.4**
Thereof: Income from associates and joint ventures accounted for using the equity method		17		37	-20	-54.1
7. Other operating income		**170**		**165**	**5**	**3.0**
8. Other operating expenses		**197**		**211**	**-14**	**-6.6**
9. Deduction of income from technical interest		**-1,776**		**-1,735**	**-41**	**-2.4**
10. Non-technical result (6–9)			**-48**	**318**	**-366**	**-**
11. Operating result (5 + 10)			**910**	**1,056**	**-146**	**-13.8**
12. Other non-operating result			**-126**	**-408**	**282**	**69.1**
13. Impairment losses of goodwill			**-**	**-**	**-**	**-**
14. Net finance costs			**-56**	**-59**	**3**	**5.1**
15. Taxes on income			**-10**	**-41**	**31**	**75.6**
16. Consolidated result (11–15)			**738**	**630**	**108**	**17.1**
Thereof: Attributable to Munich Reinsurance Company equity holders			735	631	104	16.5
Attributable to non-controlling interests			3	-1	4	-
			€	€	€	%
Basic earnings per share			**4.29**	**3.52**	**0.77**	**21.9**

Consolidated income statement (quarterly breakdown)

Items

	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
	€m	€m	€m	€m	€m	€m	€m
Gross premiums written	**12,053**	**11,856**	**12,924**	**12,470**	**12,497**	**12,809**	**13,284**
1. Earned premiums							
Gross	12,100	12,056	12,273	12,771	12,544	13,025	12,500
Ceded	391	351	378	411	433	420	404
Net	11,709	11,705	11,895	12,360	12,111	12,605	12,096
2. Income from technical interest	**1,776**	**1,882**	**1,922**	**1,720**	**1,735**	**1,468**	**1,841**
3. Expenses for claims and benefits							
Gross	9,872	10,340	10,097	9,972	10,688	10,306	9,743
Ceded share	200	197	128	155	228	231	168
Net	9,672	10,143	9,969	9,817	10,460	10,075	9,575
4. Operating expenses							
Gross	2,950	3,064	2,694	3,322	2,731	3,486	3,151
Ceded share	95	76	65	85	83	98	60
Net	2,855	2,988	2,629	3,237	2,648	3,388	**3,091**
5. Technical result (1–4)	**958**	**456**	**1,219**	**1,026**	**738**	**610**	**1,271**
6. Investment result							
Investment income	3,191	3,736	3,253	3,415	3,315	3,423	3,043
Investment expenses	1,436	1,169	1,183	1,420	1,216	1,867	1,036
Total	1,755	2,567	2,070	1,995	2,099	1,556	2,007
Thereof: Income from associates and joint ventures accounted for using the equity method	17	31	5	-54	37	33	-9
7. Other operating income	**170**	**182**	**177**	**264**	**165**	**198**	**155**
8. Other operating expenses	**197**	**186**	**215**	**294**	**211**	**200**	**217**
9. Deduction of income from technical interest	**-1,776**	**-1,882**	**-1,922**	**-1,720**	**-1,735**	**-1,468**	**-1,841**
10. Non-technical result (6–9)	**-48**	**681**	**110**	**245**	**318**	**86**	**104**
11. Operating result (5 + 10)	**910**	**1,137**	**1,329**	**1,271**	**1,056**	**696**	**1,375**
12. Other non-operating result	**-126**	**-225**	**-115**	**-234**	**-408**	**-138**	**109**
13. Impairment losses of goodwill	**–**	**–**	**–**	**29**	**–**	**–**	**–**
14. Net finance costs	**-56**	**-58**	**-56**	**-55**	**-59**	**-75**	**-68**
15. Taxes on income	**-10**	**92**	**216**	**-241**	**-41**	**-52**	**442**
16. Consolidated result (11–15)	**738**	**762**	**942**	**1,194**	**630**	**535**	**974**
Thereof: Attributable to Munich Reinsurance Company equity holders	735	758	937	1,185	631	521	967
Attributable to non-controlling interests	3	4	5	9	-1	14	7
	€	€	€	€	€	€	€
Basic earnings per share	**4.29**	**4.39**	**5.34**	**6.63**	**3.52**	**2.90**	**5.41**

Statement of recognised income and expense
1 January to 30 September 2014

€m		Q1–3 2014	Q1–3 2013
Consolidated result		**2,442**	**2,139**
Currency translation			
Gains (losses) recognised in equity	1,111		–435
Recognised in the consolidated income statement	–		–
Unrealised gains and losses on investments			
Gains (losses) recognised in equity	2,778		–1,603
Recognised in the consolidated income statement	–800		–702
Change resulting from valuation at equity			
Gains (losses) recognised in equity	15		–6
Recognised in the consolidated income statement	–		–
Change resulting from cash flow hedges			
Gains (losses) recognised in equity	–		–1
Recognised in the consolidated income statement	–		–
Other changes	14		1
I. Items where income and expenses recognised directly in equity are reallocated to the consolidated income statement	3,118		–2,746
Remeasurements of defined benefit plans	–110		187
Other changes	–		–
II. Items where income and expenses recognised directly in equity are not reallocated to the consolidated income statement	–110		187
Income and expense recognised directly in equity (I + II)		**3,008**	**–2,559**
Total recognised income and expense		**5,450**	**–420**
Thereof:			
Attributable to Munich Reinsurance Company equity holders		5,433	–425
Attributable to non-controlling interests		17	5

Statement of recognised income and expense
1 July to 30 September 2014

€m		Q3 2014	Q3 2013
Consolidated result		**738**	**630**
Currency translation			
Gains (losses) recognised in equity	951		–379
Recognised in the consolidated income statement	–		–
Unrealised gains and losses on investments			
Gains (losses) recognised in equity	455		37
Recognised in the consolidated income statement	–205		–166
Change resulting from valuation at equity			
Gains (losses) recognised in equity	–3		4
Recognised in the consolidated income statement	–		–
Change resulting from cash flow hedges			
Gains (losses) recognised in equity	–		–
Recognised in the consolidated income statement	–		–
Other changes	–		1
I. Items where income and expenses recognised directly in equity are reallocated to the consolidated income statement	1,198		–503
Remeasurements of defined benefit plans	–31		88
Other changes	–		–
II. Items where income and expenses recognised directly in equity are not reallocated to the consolidated income statement	–31		88
Income and expense recognised directly in equity (I + II)		**1,167**	**–415**
Total recognised income and expense		**1,905**	**215**
Thereof:			
Attributable to Munich Reinsurance Company equity holders		1,897	214
Attributable to non-controlling interests		8	1

Group statement of changes in equity[1]

€m	Issued capital	Capital reserve
As originally recognised at 31.12.2012	585	6,836
Changes due to retrospective adjustment		
Status at 31.12.2012	**585**	**6,836**
Allocation to retained earnings	–	–
Consolidated result	–	–
Income and expense recognised directly in equity	–	–
Currency translation	–	–
Unrealised gains and losses on investments	–	–
Change resulting from valuation at equity	–	–
Change resulting from cash flow hedges	–	–
Remeasurements of defined benefit plans	–	–
Other changes	–	–
Total recognised income and expense	–	–
Change in shareholdings in subsidiaries	–	–
Change in consolidated group	–	–
Dividend	–	–
Purchase/sale of own shares	3	9
Retirement of own shares	–	–
Status at 30.9.2013	**588**	**6,845**
As originally recognised at 31.12.2013	581	6,845
Changes due to retrospective adjustment		
Status at 31.12.2013	**581**	**6,845**
Allocation to retained earnings	–	–
Consolidated result	–	–
Income and expense recognised directly in equity	–	–
Currency translation	–	–
Unrealised gains and losses on investments	–	–
Change resulting from valuation at equity	–	–
Change resulting from cash flow hedges	–	–
Remeasurements of defined benefit plans	–	–
Other changes	–	–
Total recognised income and expense	–	–
Change in shareholdings in subsidiaries	–	–
Change in consolidated group	–	–
Dividend	–	–
Purchase/sale of own shares	–24	–
Retirement of own shares	21	–
Status at 30.9.2014	**578**	**6,845**

1 Previous year’s figures adjusted owing to IAS 8, see “Recognition and measurement”.

					Equity attributable to Munich Reinsurance Company equity holders	Non-controlling interests	Total equity
Retained earnings				Other reserves	Consolidated result		
Retained earnings before deduction of own shares	Own shares held	Unrealised gains and losses	Reserve from currency translation	Valuation result from cash flow hedges			
11,015	–77	5,946	–292	–4	3,188	242	27,439
–37					3		–34
10,978	**–77**	**5,946**	**–292**	**–4**	**3,191**	**242**	**27,405**
1,936	–	–	–	–	–1,936	–	–
–	–	–	–	–	2,119	20	2,139
177	–	–2,292	–433	4	–	–15	–2,559
–	–	–	–433	–	–	–2	–435
–	–	–2,292	–	–	–	–13	–2,305
–11	–	–	–	5	–	–	–6
–	–	–	–	–1	–	–	–1
187	–	–	–	–	–	–	187
1	–	–	–	–	–	–	1
177	–	–2,292	–433	4	2,119	5	–420
3	–	–	–	–	–	–4	–1
–	–	–	–	–	–	–	–
–	–	–	–	–	–1,255	–3	–1,258
23	72	–	–	–	–	–	107
–	–	–	–	–	–	–	–
13,117	**–5**	**3,654**	**–725**	**–**	**2,119**	**240**	**25,833**
13,170	–295	3,368	–1,002	3	3,313	243	26,226
–34			5		–9		–38
13,136	**–295**	**3,368**	**–997**	**3**	**3,304**	**243**	**26,188**
2,050	–	–	–	–	–2,050	–	–
–	–	–	–	–	2,430	12	2,442
–90	–	1,987	1,111	–5	–	5	3,008
–	–	–	1,111	–	–	–	1,111
–	–	1,971	–	–	–	7	1,978
4	–	16	–	–5	–	–	15
–	–	–	–	–	–	–	–
–108	–	–	–	–	–	–2	–110
14	–	–	–	–	–	–	14
–90	–	1,987	1,111	–5	2,430	17	5,450
–	–	–	–	–	–	–	–
1	–	–	–	–	–	–1	–
–	–	–	–	–	–1,254	–3	–1,257
–	–1,119	–	–	–	–	–	–1,143
–1,000	1,000	–	–	–	–	–	21
14,097	**–414**	**5,355**	**114**	**–2**	**2,430**	**256**	**29,259**

Condensed consolidated cash flow statement
1 January to 30 September 2014[1]

€m	Q1–3 2014	Q1–3 2013
Consolidated result	**2,442**	**2,139**
Net change in technical provisions	5,277	4,324
Change in deferred acquisition costs	–147	–352
Change in deposits retained and accounts receivable and payable	764	–932
Change in other receivables and liabilities	592	–866
Gains and losses on the disposal of investments	–1,214	–730
Change in securities at fair value through profit or loss	–187	–744
Change in other balance sheet items	–117	–401
Other income/expenses without impact on cash flow	–194	182
I. Cash flows from operating activities	7,216	2,620
Change from losing control of consolidated subsidiaries	–	–
Change from obtaining control of consolidated subsidiaries	–97	–49
Change from the acquisition, sale and maturities of other investments	–4,154	452
Change from the acquisition and sale of investments for unit-linked life insurance	–411	–249
Other	–103	16
II. Cash flows from investing activities	–4,765	170
Inflows from increase in capital and from non-controlling interests	–	107
Outflows to ownership interests and non-controlling interests	1,122	–
Dividend payments	1,257	1,258
Change from other financing activities	–10	–1,096
III. Cash flows from financing activities	–2,389	–2,247
Cash flows for the financial year (I + II + III)	**62**	**543**
Effect of exchange rate changes on cash	190	–72
Cash at the beginning of the financial year	2,820	2,860
Cash at 30 September of the financial year	3,072	3,331

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

Selected notes to the consolidated financial statements

Recognition and measurement

This quarterly report as at 30 September 2014 has been prepared in accordance with International Financial Reporting Standards (IFRSs) as applicable in the European Union. The condensed interim consolidated financial statements are prepared in accordance with IAS 34, Interim Financial Reporting. We have complied with all new and amended IFRSs and IFRIC interpretations whose application is mandatory for Munich Re for the first time for periods beginning on 1 January 2014. We already applied IAS 36 (rev. 05/2013), Recoverable Amount Disclosures for Non-Financial Assets in advance in the 2013 financial year. 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 2013, with the exception of the changes mentioned below. In accordance with the rules of IFRS 4, underwriting items are recognised and measured on the basis of US GAAP (United States Generally Accepted Accounting Principles) at first-time adoption of IFRS 4 on 1 January 2005.

As of the financial year 2014, application of the following new or amended IFRSs was mandatory for the first time:

IFRS 10 (05/2011), Consolidated Financial Statements, supersedes the provisions of IAS 27 and SIC 12 and creates a uniform definition for control, irrespective of whether this control is based on company law or on contractual or economic circumstances. There are no longer any independent provisions for structured entities (special purpose entities). A situation of control exists when an investor has the ability to direct an investee's relevant activities and is exposed to the returns from those activities. Furthermore, IFRS 10 addresses issues that have not been dealt with until now, including the regulation that a situation of control exists even if an investor holds less than a majority of the voting rights but regularly has a de facto majority of voting rights at the annual general meetings. The changes do not have any major effects on Munich Re's group of consolidated companies. Only one associate is now to be recognised as a fully consolidated company. We have therefore applied the amendments prospectively, as a retrospective application for prior periods did not appear appropriate, also from a cost-benefit point of view. The conversion from the equity method to full consolidation led to a minor result effect of less than €2m and increased the balance sheet total by around €10m in the first quarter.

IFRS 11 (05/2011), Joint Arrangements, defines joint operations and joint ventures and specifies how they are to be recognised in the balance sheet. The changes compared with IAS 31, Interest in Joint Ventures, mainly concern the elimination of the option of proportionate consolidation for joint ventures, the amended definition of joint control, and the extended scope of application of joint operations. These may now include arrangements structured through a separate vehicle. The elimination of the option of proportionate consolidation has no impact on Munich Re, as we do not avail ourselves of this option and already apply the equity method. The two other amendments do not have any material effects on Munich Re.

IFRS 12 (05/2011), Disclosure of Interests in Other Entities, combines the disclosures regarding facts and circumstances governed by IFRS 10, 11 and IAS 28. The objective of the standard is to provide information on the type and risk of interests in other entities and their implication for the consolidated financial statements. As a consequence, the information provided needs to be more comprehensive than before. In particular, IFRS 12 requires disclosures relating to unconsolidated structured entities, subsidiaries with significant non-controlling interests, discretionary judgments and assumptions in evaluating the nature of interests in other entities, as well as detailed information on each significant joint arrangement and associate. Munich Re is mainly affected by the extended disclosure requirements relating to non-consolidated structured entities and interests in joint arrangements and associates.

IAS 27 (rev. 05/2011), Separate Financial Statements, now deals only with balance sheet recognition of investments in subsidiaries, joint ventures and associates in separate single-entity financial statements in accordance with IFRS, including the relevant disclosures in the notes. The definition of control and balance sheet recognition of subsidiaries in consolidated financial statements is now regulated by IFRS 10. The standard has no effect on Munich Re.

IAS 28 (rev. 05/2011), Investments in Associates and Joint Ventures, specifically includes amendments following from the publication of IFRS 11 and IFRS 12. Among other things, the standard integrates the balance sheet recognition of joint ventures and circumstances previously governed by SIC 13, Jointly Controlled Entities – Non-Monetary Contributions by Venturers. Furthermore, investments in associates or joint ventures held by open-ended investment funds or for unit-linked insurance, for example, are no longer excluded from the scope of application of the standard. Instead, there is now an option to measure these at fair value with impact on profit or loss. The amendments do not have any material effects for Munich Re.

In June 2012, the IASB adopted **IFRS Consolidated Financial Statements, Joint Arrangements, and Disclosure of Interests in Other Entities – Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12) (06/2012)**, which clarifies that the requirement to provide adjusted comparative information on first-time application is limited to the preceding comparative period only. Insofar as first-time application results in a change in the need to consolidate an entity only for the comparative period, no adjusted comparative information for prior periods is necessary. In addition, the requirement to provide information for prior periods is removed for unconsolidated structured entities.

As mandated by the IASB, application of IFRS 10, IFRS 11 and IFRS 12 and the amendments to IAS 27 and IAS 28, including the Transition Guidance for these standards, would be mandatory for financial years beginning on or after 1 January 2013. When the standards were adopted into European law, the mandatory effective date was deferred by one year, so that the standards concerned have to be applied for the first time by entities domiciled in the European Union for financial years beginning on or after 1 January 2014; voluntary application before that date is permitted. Munich Re has chosen first-time application from 1 January 2014.

IFRS Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) (10/2012) introduces a definition of the term "investment entities" and specifies that such entities are generally excepted from the requirement to consolidate their subsidiaries in future. Instead, they are required to measure them at fair value through profit or loss. The exception from the consolidation requirement does not apply to parents of investment entities that are not themselves investment entities. There are also additional disclosure requirements for investment entities. The amendments are of no relevance for Munich Re.

The amendments to **IAS 32 (rev. 12/2011), Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities**, clarify some issues in relation to the admissibility of offsetting financial assets and financial liabilities. These changes currently have no practical significance for Munich Re.

The amendments in **IAS 39 (rev. 06/2013), Financial Instruments: Novation of Derivatives and Continuation of Hedge Accounting**, determine that the novation to a central counterparty of a derivative that is designated as a hedging instrument will not lead to a discontinuation of hedge accounting where that novation is required by legislation or regulation. The involvement of a central counterparty is not mandatory for existing business transactions. The amendments currently do not have any effects on Munich Re.

IFRIC Interpretation 21 (05/2013), Levies, clarifies the point of recognition of a liability within the scope of IAS 37 for levies imposed by governments, other than income taxes, that do not fall within the scope of application of other IFRSs. As well as determining the point of recognition, the Interpretation clarifies how to interpret the definition of "present obligation" within the meaning of IAS 37 with respect to such levies. This interpretation was adopted into European law on 13 June 2014. IFRIC Interpretation 21, Levies, will be applied by us with effect from 1 January 2015. It has no material effect for Munich Re.

Since the first quarter of 2014, we have adjusted the disclosure of "other provisions" and "miscellaneous liabilities" in order to improve the information content. Liabilities hitherto allocated to "other provisions", but more certain than provisions in terms of the timing and amount of their payment, are shown under "miscellaneous liabilities" with immediate effect. "Outstanding invoices", "bonuses", "holiday and overtime pay" and "miscellaneous" are affected. Pursuant to IAS 8.22, the modifications have been applied retrospectively and the previous year's figures have been adjusted accordingly. As a result of the modification, "miscellaneous liabilities" have increased by an overall €427m, amounting to €4,548m as at 31 December 2013. "Other provisions" have been reduced by the same amount, totalling €1,602m as at 31 December 2013. The modifications came to a total of €397m as at 31 December 2012. "Miscellaneous liabilities" thus amounted to €4,399m as at 31 December 2012, and "other provisions" to €1,597m.

In previous years, the amount of claims paid for a reinsurance portfolio was set too low as part of the fast-close process. The amounts for claims paid and accounts payable were corrected retrospectively. The adjustments had the following effects on the consolidated balance sheets for the financial years 2012 and 2013, and the consolidated income statement for 2013:

Consolidated balance sheet

€m	31.12.2012 as originally recognised	Changes due to adjustments in 2012	31.12.2012
Assets			
E. II. Other receivables	11,475	19	11,494
H. Deferred tax assets	6,219	6	6,225
Equity and liabilities			
A. II. Retained earnings	10,938	–37	10,901
A. IV. Consolidated result attributable to Munich Reinsurance Company equity holders	3,188	3	3,191
F. IV. Other liabilities	13,637	59	13,696

Consolidated balance sheet

€m	31.12.2013 as originally recognised	Changes due to adjustments in 2013	31.12.2013
Assets			
E. II. Other receivables	11,357	18	11,375
H. Deferred tax assets	6,989	6	6,995
Equity and liabilities			
A. II. Retained earnings	12,875	–34	12,841
A. III. Other reserves	2,369	5	2,374
A. IV. Consolidated result attributable to Munich Reinsurance Company equity holders	3,313	–9	3,304
F. IV. Other liabilities	12,859	62	12,921

Consolidated income statement

€m	2013 as originally recognised	Changes due to adjustments in 2013	2013
3. Expenses for claims and benefits			
Gross	40,698	11	40,709
netto	39,916	11	39,927
5. Technical result	**3,656**	**–11**	**3,645**
11. Operating result	**4,409**	**–11**	**4,398**
12. Other non-operating result	**–673**	**2**	**–671**
16. Consolidated result	**3,342**	**–9**	**3,333**
Thereof: Attributable to Munich Re equity holders	3,313	–9	3,304

Changes in the consolidated group

The following disclosures regarding first-time recognition are provisional, since among other things there may still be changes in the purchase price and the net asset value.

With legal effect from 2 January 2014, via its subsidiary Cannock Chase Holding B.V., Amsterdam, Munich Re acquired 100% of the voting shares in Cannock Chase B.V., Leidschendam, 100% of the voting shares in Cannock Chase Incasso B.V., The Hague, 100% of the voting shares in Cannock Connect Center B.V., Brouwershaven, 100% of the voting shares in Mandaat B.V., Druten, 100% of the voting shares in Cannock Chase Purchase B.V., The Hague, and 62.50% of the voting shares in X-Pact B.V., The Hague. The Cannock Chase Group is the market leader in the public-sector client segment of the credit-management services market. The acquisitions are aimed at expanding the market position of DAS Nederlandse Rechtsbijstand Verzekeringmaatschappij N.V., Amsterdam, in the area of credit management. A purchase price of €32m in cash was paid for the acquisition.

On 1 August 2014, via its subsidiary ERGO International AG, Düsseldorf, Munich Re acquired 100% of the voting shares in SHC Insurance Pte. Ltd. (SHC), Singapore. The purchase price was approximately S$ 117m (€69m). The purchase price was paid in cash and fully financed from internal resources.

SHC offers a broad spectrum of property-casualty policies, including motor, liability, bond, personal accident, fire, marine, and engineering insurance, and ranks 14th in the Singapore property-casualty market. Market entry in Singapore ties in perfectly with ERGO's international growth strategy, which is focused on the highly attractive property-casualty markets of Southeast Asia.

Growth prospects for the next few years are also positive, one reason being the local supervisory authority's endeavours to turn Singapore into an international insurance hub similar to the London market by 2020. SHC itself is well positioned for further growth.

In connection with the acquisition of SHC, its existing sales channels and software have been identified as intangible assets. As part of the transaction, goodwill of approximately €21m and other intangible assets of €19m have been capitalised. The goodwill derives from anticipated synergies, the growth potential of SHC and the further geographical spread of the ERGO Group in the desired growth regions. ERGO is already present in this region in Vietnam, where it owns a 35% share in Global Insurance Company (GIC). The individual national companies are steered and supported by a regional management team, which can draw on the comprehensive expertise of the ERGO Group in the area of risk management and its broad experience in developing innovative products and sales channels. The goodwill includes the value assigned to SHC's staff, and is not tax-deductible.

The IFRS carrying amounts of SHC at the acquisition date are as follows:
Investments totalling €59m; ceded share of technical provisions amounting to €31m; cash at banks, cheques and cash in hand of €3m; intangible assets, receivables and other assets of €31m; equity of €48m; gross technical provisions of €65m; and other provisions, liabilities and deferred tax liabilities of €11m.

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

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

Gross premiums written of €7m and a result of €0.4m for SHC have been included in the consolidated income statement.

If Munich Re had acquired SHC at the beginning of the financial year, SHC would have contributed €33m in gross premiums written to the consolidated premium and a result of €3m to the consolidated result.

Foreign currency translation

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

Currency translation rates

	Balance sheet		Income statement					
Rate for €1	30.9.2014	31.12.2013	Q3 2014	Q2 2014	Q1 2014	Q3 2013	Q2 2013	Q1 2013
Australian dollar	1.44365	1.54020	1.43264	1.47064	1.52779	1.44637	1.31878	1.27085
Canadian dollar	1.41175	1.46405	1.44229	1.49605	1.51090	1.37610	1.33657	1.33091
Pound sterling	0.77920	0.83200	0.79379	0.81486	0.82797	0.85436	0.85048	0.85064
Rand	14.27250	14.43230	14.26520	14.45910	14.87360	13.22540	12.37200	11.81310
Swiss franc	1.20705	1.22550	1.21152	1.21910	1.22350	1.23438	1.23101	1.22778
US dollar	1.26325	1.37795	1.32546	1.37153	1.37039	1.32442	1.30583	1.32006
Yen	138.5720	144.8300	137.7430	140.0360	140.8670	130.9720	128.9230	121.6110
Yuan Renminbi	7.75570	8.34200	8.17218	8.54686	8.36070	8.11291	8.03652	8.21540

Segment reporting

In accordance with the "management approach", the segmentation of our business operations is based on the way in which Munich Re is managed internally. We have consequently identified seven segments to be reported:

- Life reinsurance (global life reinsurance business)
- Property-casualty reinsurance (global property-casualty reinsurance business)
- Life primary insurance (global life primary insurance business)
- Health primary insurance (German health primary insurance business and global travel insurance business)
- Property-casualty primary insurance (global property-casualty primary insurance business)
- Munich Health (global health reinsurance business and health primary insurance business outside Germany)
- Asset management (management of assets for the Group and for external investors)

Munich Re's primary insurance segments comprise all the activities of the ERGO Insurance Group (ERGO). In addition, 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 segment.

Munich Re uses different performance indicators and measures. The main performance metrics at Group level are economic earnings and the return on risk-adjusted capital (RORAC). Besides this, IFRS result contributions are the basis of planning and strategy in all segments. Therefore, the uniform assessment basis used for measuring the segment result is the operating result adjusted to eliminate non-operating components, and the IFRS profit for the year. The operating result is split into a technical result and a non-technical result, with an interest component allocated to the underwriting business in the form of income from technical interest. The segments reported under IFRS 8 are shown after elimination of all intra-Group transactions (mainly dividend payments, sales, reinsurance transactions, receivables and corresponding interest income). Our segment reporting has no consolidation column.

In the case of intra-Group sales of assets where a provision for premium refunds has to be posted, the latter always has to be shown by the selling segment. Intra-Group loans are completely eliminated in the balance sheet through consolidation. By contrast, the expenditure for the borrowers and income for the lenders is shown unconsolidated under "Other non-operating result, impairment losses of goodwill and net finance costs" for the segments concerned. All intra-Group shareholdings are consolidated, and all earnings and expenditure of the subsidiaries are shown in their segments.

Segment assets

	Reinsurance			
	Life		Property-casualty	
€m	30.9. 2014	31.12. 2013	30.9. 2014	31.12. 2013
A. Intangible assets	**157**	**159**	**2,047**	**1,920**
B. Investments				
I. Land and buildings, including buildings on third-party land	253	263	1,209	1,218
II. Investments in affiliated companies, associates and joint ventures	23	19	858	818
Thereof: Associates and joint ventures accounted for using the equity method	–	–	753	733
III. Loans	36	34	162	125
IV. Other securities				
1. Held to maturity	–	–	–	–
2. Available for sale	16,198	14,095	54,915	49,252
3. At fair value through profit or loss	744	650	298	1,037
	16,942	14,745	55,213	50,289
V. Deposits retained on assumed reinsurance	7,586	7,847	1,267	1,279
VI. Other investments	368	409	1,367	1,451
	25,208	**23,317**	**60,076**	**55,180**
C. Investments for the benefit of life insurance policyholders who bear the investment risk	–	–	–	–
D. Ceded share of technical provisions	**1,164**	**1,096**	**2,042**	**1,932**
E. Other segment assets	**7,343**	**6,909**	**10,995**	**10,041**
Total segment assets	**33,872**	**31,481**	**75,160**	**69,073**

Segment liabilities

	Reinsurance			
	Life		Property-casualty	
€m	30.9. 2014	31.12. 2013	30.9. 2014	31.12. 2013
A. Subordinated liabilities	**1,125**	**1,138**	**3,245**	**3,177**
B. Gross technical provisions				
I. Unearned premiums	25	28	6,180	5,587
II. Provision for future policy benefits	14,055	13,633	26	27
III. Provision for outstanding claims	6,631	5,948	39,893	37,847
IV. Other technical provisions	321	396	–240	49
	21,032	**20,005**	**45,859**	**43,510**
C. Gross technical provisions for life insurance policies where the investment risk is borne by the policyholders	–	–	–	–
D. Other accrued liabilities	**149**	**160**	**459**	**471**
E. Other segment liabilities	**6,717**	**5,571**	**11,542**	**10,241**
Total segment liabilities	**29,023**	**26,874**	**61,105**	**57,399**

	Primary insurance						Munich Health		Asset management		Total	
	Life		Health		Property-casualty							
	30.9. 2014	31.12. 2013	30.9. 2014	31.12. 2013	30.9. 2014	31.12. 2013	30.9. 2014	31.12. 2013	30.9. 2014	31.12. 2013	30.9. 2014	31.12. 2013
	922	**953**	**664**	**672**	**997**	**945**	**11**	**12**	**13**	**11**	**4,811**	**4,672**
	1,332	1,358	747	755	93	93	10	10	65	65	3,709	3,762
	105	137	186	180	223	212	90	94	51	54	1,536	1,514
	59	92	175	168	164	161	89	93	35	44	1,275	1,291
	34,452	35,185	18,353	17,916	1,849	1,961	24	22	2	2	54,878	55,245
	1	5	–	–	–	–	–	–	–	–	1	5
	39,187	35,574	17,873	16,232	7,334	7,000	3,156	2,983	663	766	139,326	125,902
	1,339	1,039	163	127	24	31	4	3	–	–	2,572	2,887
	40,527	36,618	18,036	16,359	7,358	7,031	3,160	2,986	663	766	141,899	128,794
	73	128	1	1	9	5	336	376	–	–	9,272	9,636
	1,179	901	438	207	733	323	129	80	249	453	4,463	3,824
	77,668	**74,327**	**37,761**	**35,418**	**10,265**	**9,625**	**3,749**	**3,568**	**1,030**	**1,340**	**215,757**	**202,775**
	7,510	**6,698**	**–**	**–**	**–**	**–**	**1**	**1**	**–**	**–**	**7,511**	**6,699**
	1,634	**1,700**	**7**	**20**	**393**	**386**	**202**	**171**	**–**	**–**	**5,442**	**5,305**
	7,684	**8,082**	**3,592**	**3,674**	**4,762**	**4,411**	**1,767**	**1,667**	**149**	**77**	**36,292**	**34,861**
	95,418	**91,760**	**42,024**	**39,784**	**16,417**	**15,367**	**5,730**	**5,419**	**1,192**	**1,428**	**269,813**	**254,312**

	Primary insurance						Munich Health		Asset management		Total	
	Life		Health		Property-casualty							
	30.9. 2014	31.12. 2013	30.9. 2014	31.12. 2013	30.9. 2014	31.12. 2013	30.9. 2014	31.12. 2013	30.9. 2014	31.12. 2013	30.9. 2014	31.12. 2013
	23	**73**	**–**	**–**	**2**	**2**	**31**	**34**	**–**	**–**	**4,426**	**4,424**
	52	30	104	99	2,050	1,766	393	484	–	–	8,804	7,994
	69,130	69,182	28,219	27,175	440	434	1,048	976	–	–	112,918	111,427
	1,812	1,758	875	941	5,899	5,730	998	837	–	–	56,108	53,061
	6,774	4,458	9,537	8,405	134	136	153	75	–	–	16,679	13,519
	77,768	**75,428**	**38,735**	**36,620**	**8,523**	**8,066**	**2,592**	**2,372**	**–**	**–**	**194,509**	**186,001**
	7,894	**7,042**	**–**	**–**	**–**	**–**	**1**	**1**	**–**	**–**	**7,895**	**7,043**
	272	**483**	**146**	**267**	**2,648**	**2,187**	**131**	**136**	**32**	**38**	**3,837**	**3,742**
	6,508	**6,492**	**1,402**	**1,213**	**2,233**	**2,082**	**1,311**	**1,165**	**174**	**150**	**29,887**	**26,914**
	92,465	**89,518**	**40,283**	**38,100**	**13,406**	**12,337**	**4,066**	**3,708**	**206**	**188**	**240,554**	**228,124**
										Equity	**29,259**	**26,188**
										Total equity and liabilities	**269,813**	**254,312**

Segment income statement 1.1.–30.9.2014

	Reinsurance			
	Life		Property-casualty	
€m	Q1–3 2014	Q1–3 2013	Q1–3 2014	Q1–3 2013
Gross premiums written	**7,393**	**8,194**	**12,762**	**12,796**
1. Earned premiums				
Gross	7,399	8,199	12,525	12,602
Ceded	309	328	473	524
Net	7,090	7,871	12,052	12,078
2. Income from technical interest	**513**	**546**	**898**	**892**
3. Expenses for claims and benefits				
Gross	6,015	6,303	7,792	7,843
Ceded share	169	157	215	199
Net	5,846	6,146	7,577	7,644
4. Operating expenses				
Gross	1,597	2,111	3,707	3,652
Ceded share	118	113	51	54
Net	1,479	1,998	3,656	3,598
Thereof: Amortisation and impairment losses of acquired insurance portfolios	2	2	–	–
5. Technical result (1–4)	**278**	**273**	**1,717**	**1,728**
6. Investment result				
Investment income	1,360	1,375	3,372	3,403
Investment expenses	773	756	2,077	2,134
Total	587	619	1,295	1,269
Thereof: Interest and similar income	536	567	918	1,026
Interest charges and similar expenses	1	3	6	14
Write-downs of investments	470	429	911	916
Write-ups of investments	404	394	478	660
Income from associates and joint ventures accounted for using the equity method	–	–	45	29
7. Other operating income	**87**	**62**	**162**	**158**
Thereof: Interest and similar income	56	39	11	5
Write-ups of other operating assets	–	1	3	1
8. Other operating expenses	**51**	**52**	**215**	**236**
Thereof: Interest charges and similar expenses	8	17	17	23
Write-downs of other operating assets	2	1	5	5
9. Deduction of income from technical interest	**-513**	**-546**	**-898**	**-892**
10. Non-technical result (6–9)	**110**	**83**	**344**	**299**
11. Operating result (5 + 10)	**388**	**356**	**2,061**	**2,027**
12. Other non-operating result, net finance costs and impairment losses of goodwill	**-81**	**-83**	**-316**	**-345**
13. Taxes on income	**24**	**58**	**100**	**194**
14. Consolidated result (11–13)	**283**	**215**	**1,645**	**1,488**
Thereof: Attributable to Munich Reinsurance Company equity holders	283	215	1,645	1,485
Attributable to non-controlling interests	–	–	–	3

Primary insurance						Munich Health		Asset management		Total	
Life		Health		Property-casualty							
Q1–3 2014	Q1–3 2013	Q1–3 2014	Q1–3 2013	Q1–3 2014	Q1–3 2013	Q1–3 2014	Q1–3 2013	Q1–3 2014	Q1–3 2013	Q1–3 2014	Q1–3 2013
4,097	**3,936**	**4,275**	**4,289**	**4,263**	**4,387**	**4,043**	**4,988**	**–**	**–**	**36,833**	**38,590**
4,073	3,926	4,269	4,286	4,013	4,093	4,150	4,963	–	–	36,429	38,069
53	75	12	36	155	136	118	158	–	–	1,120	1,257
4,020	3,851	4,257	4,250	3,858	3,957	4,032	4,805	–	–	35,309	36,812
2,859	**2,338**	**1,128**	**1,081**	**154**	**157**	**28**	**30**	**–**	**–**	**5,580**	**5,044**
6,115	5,470	4,585	4,551	2,419	2,616	3,383	3,954	–	–	30,309	30,737
32	55	7	20	32	86	70	110	–	–	525	627
6,083	5,415	4,578	4,531	2,387	2,530	3,313	3,844	–	–	29,784	30,110
841	831	516	511	1,347	1,354	700	909	–	–	8,708	9,368
5	11	2	13	19	15	41	35	–	–	236	241
836	820	514	498	1,328	1,339	659	874	–	–	8,472	9,127
21	75	4	4	–	–	–	–	–	–	27	81
-40	**-46**	**293**	**302**	**297**	**245**	**88**	**117**	**–**	**–**	**2,633**	**2,619**
3,646	3,142	1,315	1,298	399	432	73	119	15	12	10,180	9,781
507	737	252	297	161	132	15	52	3	11	3,788	4,119
3,139	2,405	1,063	1,001	238	300	58	67	12	1	6,392	5,662
1,941	2,032	978	961	172	186	59	61	3	2	4,607	4,835
1	1	2	2	–	–	–	–	–	–	10	20
145	292	64	74	65	49	7	2	2	11	1,664	1,773
508	97	46	46	30	24	1	11	3	–	1,470	1,232
3	5	12	8	-1	20	-10	5	4	-6	53	61
55	**86**	**13**	**25**	**129**	**104**	**41**	**45**	**42**	**38**	**529**	**518**
6	16	1	1	3	2	4	5	2	1	83	69
2	22	–	–	4	3	1	1	–	–	10	28
48	**65**	**32**	**26**	**188**	**157**	**48**	**66**	**16**	**26**	**598**	**628**
5	4	11	10	40	47	8	15	–	4	89	120
6	6	1	2	11	12	2	4	3	–	30	30
-2,859	**-2,338**	**-1,128**	**-1,081**	**-154**	**-157**	**-28**	**-30**	**–**	**–**	**-5,580**	**-5,044**
287	**88**	**-84**	**-81**	**25**	**90**	**23**	**16**	**38**	**13**	**743**	**508**
247	**42**	**209**	**221**	**322**	**335**	**111**	**133**	**38**	**13**	**3,376**	**3,127**
-12	**15**	**-43**	**-44**	**-176**	**-167**	**-5**	**-10**	**-3**	**-5**	**-636**	**-639**
82	**-35**	**34**	**64**	**18**	**13**	**11**	**29**	**29**	**26**	**298**	**349**
153	**92**	**132**	**113**	**128**	**155**	**95**	**94**	**6**	**-18**	**2,442**	**2,139**
153	92	132	113	121	141	91	91	5	-18	2,430	2,119
–	–	–	–	7	14	4	3	1	–	12	20

Segment income statement 1.7.–30.9.2014

	Reinsurance			
	Life		Property-casualty	
€m	Q3 2014	Q3 2013	Q3 2014	Q3 2013
Gross premiums written	**2,449**	**2,631**	**4,284**	**4,263**
1. Earned premiums				
Gross	2,455	2,637	4,202	4,205
Ceded	97	109	178	193
Net	2,358	2,528	4,024	4,012
2. Income from technical interest	**168**	**189**	**305**	**296**
3. Expenses for claims and benefits				
Gross	1,926	2,394	2,607	2,660
Ceded share	48	48	124	87
Net	1,878	2,346	2,483	2,573
4. Operating expenses				
Gross	639	436	1,208	1,230
Ceded share	48	38	19	20
Net	591	398	1,189	1,210
Thereof: Amortisation and impairment losses of acquired insurance portfolios	1	1	–	–
5. Technical result (1–4)	**57**	**-27**	**657**	**525**
6. Investment result				
Investment income	449	441	1,048	1,249
Investment expenses	294	184	834	644
Total	155	257	214	605
Thereof:				
Interest and similar income	180	200	317	324
Interest charges and similar expenses	–	1	2	5
Write-downs of investments	179	86	390	259
Write-ups of investments	135	83	109	229
Income from associates and joint ventures accounted for using the equity method	–	–	18	13
7. Other operating income	**30**	**22**	**55**	**58**
Thereof:				
Interest and similar income	19	16	4	1
Write-ups of other operating assets	–	–	1	–
8. Other operating expenses	**18**	**19**	**79**	**91**
Thereof:				
Interest charges and similar expenses	3	6	6	9
Write-downs of other operating assets	1	–	2	2
9. Deduction of income from technical interest	**-168**	**-189**	**-305**	**-296**
10. Non-technical result (6–9)	**-1**	**71**	**-115**	**276**
11. Operating result (5 + 10)	**56**	**44**	**542**	**801**
12. Other non-operating result, net finance costs and impairment losses of goodwill	**-9**	**-86**	**-99**	**-282**
13. Taxes on income	**10**	**-26**	**-53**	**-8**
14. Consolidated result (11–13)	**37**	**-16**	**496**	**527**
Thereof:				
Attributable to Munich Reinsurance Company equity holders	37	-16	496	527
Attributable to non-controlling interests	–	–	–	–

Primary insurance						Munich Health		Asset management		Total	
Life		Health		Property-casualty							
Q3 2014	Q3 2013	Q3 2014	Q3 2013	Q3 2014	Q3 2013	Q3 2014	Q3 2013	Q3 2014	Q3 2013	Q3 2014	Q3 2013
1,349	**1,278**	**1,423**	**1,421**	**1,245**	**1,293**	**1,303**	**1,611**	**–**	**–**	**12,053**	**12,497**
1,342	1,272	1,436	1,432	1,354	1,409	1,311	1,589	–	–	12,100	12,544
17	23	5	12	57	53	37	43	–	–	391	433
1,325	1,249	1,431	1,420	1,297	1,356	1,274	1,546	–	–	11,709	12,111
874	**853**	**368**	**335**	**52**	**52**	**9**	**10**	**–**	**–**	**1,776**	**1,735**
1,948	1,950	1,541	1,489	799	927	1,051	1,268	–	–	9,872	10,688
16	13	1	9	-6	28	17	43	–	–	200	228
1,932	1,937	1,540	1,480	805	899	1,034	1,225	–	–	9,672	10,460
266	175	170	161	452	459	215	270	–	–	2,950	2,731
1	–	1	3	10	11	16	11	–	–	95	83
265	175	169	158	442	448	199	259	–	–	2,855	2,648
7	20	2	2	–	–	–	–	–	–	10	23
2	**-10**	**90**	**117**	**102**	**61**	**50**	**72**	**–**	**–**	**958**	**738**
1,149	1,049	405	414	112	131	26	27	2	4	3,191	3,315
168	181	63	109	65	50	11	47	1	1	1,436	1,216
981	868	342	305	47	81	15	-20	1	3	1,755	2,099
647	680	329	325	56	60	20	20	1	1	1,550	1,610
–	–	1	–	–	–	–	–	–	–	3	6
33	75	18	16	24	15	7	1	1	1	652	453
163	24	10	10	11	10	1	1	–	–	429	357
2	3	5	3	-3	14	-5	3	–	1	17	37
14	**22**	**3**	**6**	**39**	**28**	**14**	**16**	**15**	**13**	**170**	**165**
2	9	–	–	2	–	1	2	–	–	28	28
–	–	–	–	–	–	–	–	–	–	1	–
15	**19**	**8**	**1**	**52**	**48**	**19**	**25**	**6**	**8**	**197**	**211**
2	1	3	4	13	20	3	5	–	1	30	46
3	1	–	1	4	4	1	3	–	–	11	11
-874	**-853**	**-368**	**-335**	**-52**	**-52**	**-9**	**-10**	**–**	**–**	**-1,776**	**-1,735**
106	**18**	**-31**	**-25**	**-18**	**9**	**1**	**-39**	**10**	**8**	**-48**	**318**
108	**8**	**59**	**92**	**84**	**70**	**51**	**33**	**10**	**10**	**910**	**1,056**
-10	-5	-12	-16	-51	-69	-2	-7	1	-2	-182	-467
27	-25	-6	26	2	-15	-4	–	14	7	-10	-41
71	**28**	**53**	**50**	**31**	**16**	**53**	**26**	**-3**	**-1**	**738**	**630**
71	28	53	50	30	18	52	25	-4	-1	735	631
–	–	–	–	1	-2	1	1	1	–	3	-1

Non-current assets by country[1]

€m	30.9.2014	31.12.2013
Germany	7,737	7,798
USA	1,971	1,798
UK	512	511
Austria	332	358
Sweden	274	287
Italy	226	234
Netherlands	195	156
Poland	165	182
France	153	154
Spain	140	123
Switzerland	92	92
Portugal	59	61
Others	276	237
Total	**12,132**	**11,991**

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

Investments in non-current assets per segment[1]

€m	Q1–3 2014	Q1–3 2013
Reinsurance life	28	29
Reinsurance property-casualty	113	84
Primary insurance life	22	20
Primary insurance health	4	2
Primary insurance property-casualty	166	480
Munich Health	26	34
Asset management	18	3
Total	**377**	**652**

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

Gross premiums written

	Reinsurance		Primary insurance		Munich Health		Total	
€m	Q1–3 2014	Q1–3 2013	Q1–3 2014	Q1–3 2013	Q1–3 2014	Q1–3 2013	Q1–3 2014	Q1–3 2013
Europe	6,253	6,311	12,620	12,600	1,422	1,396	20,295	20,307
North America	8,955	9,887	4	3	2,241	3,203	11,200	13,093
Asia and Australasia	3,474	3,116	9	5	97	123	3,580	3,244
Africa, Near and Middle East	517	531	–	1	285	242	802	774
Latin America	956	1,145	2	3	–2	24	956	1,172
Total	**20,155**	**20,990**	**12,635**	**12,612**	**4,043**	**4,988**	**36,833**	**38,590**

Gross premiums written

	Reinsurance		Primary insurance		Munich Health		Total	
€m	Q3 2014	Q3 2013	Q3 2014	Q3 2013	Q3 2014	Q3 2013	Q3 2014	Q3 2013
Europe	2,085	2,101	4,007	3,990	453	434	6,545	6,525
North America	3,040	3,219	1	1	724	1,055	3,765	4,275
Asia and Australasia	1,135	1,010	8	–	29	34	1,172	1,044
Africa, Near and Middle East	179	166	–	–	97	82	276	248
Latin America	294	398	1	1	–	6	295	405
Total	**6,733**	**6,894**	**4,017**	**3,992**	**1,303**	**1,611**	**12,053**	**12,497**

Notes to the consolidated balance sheet

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

Intangible assets

Development of goodwill

	Reinsurance				Primary insurance	
Goodwill from the acquisition of	Munich Re America		Other		ERGO Insurance Group	
€m	Q1-3 2014	Q1-3 2013	Q1-3 2014	Q1-3 2013	Q1-3 2014	Q1-3 2013
Gross carrying amount at 31 Dec. previous year	1,001	1,046	440	454	1,754	1,754
Accumulated impairment losses at 31 Dec. previous year	–	–	51	51	–	–
Carrying amount at 31 Dec. previous year	1,001	1,046	389	403	1,754	1,754
Currency translation differences	91	-27	34	-10	–	–
Additions	–	–	–	–	–	–
Disposals	–	–	–	–	–	–
Reclassifications	–	–	–	–	–	–
Impairment losses	–	–	–	–	–	–
Carrying amount at 30 September financial year	**1,092**	**1,019**	**423**	**393**	**1,754**	**1,754**
Accumulated impairment losses at 30 September financial year	–	–	51	46	–	–
Gross carrying amount at 30 September financial year	1,092	1,019	474	439	1,754	1,754

→

	Primary insurance		Munich Health		Total	
Goodwill from the acquisition of	Other		Other			
€m	Q1-3 2014	Q1-3 2013	Q1-3 2014	Q1-3 2013	Q1-3 2014	Q1-3 2013
Gross carrying amount at 31 Dec. previous year	557	554	156	156	3,908	3,964
Accumulated impairment losses at 31 Dec. previous year	409	381	156	156	616	588
Carrying amount at 31 Dec. previous year	148	173	–	–	3,292	3,376
Currency translation differences	1	–	–	–	126	-37
Additions	26	3	–	–	26	3
Disposals	–	–	–	–	–	–
Reclassifications	–	–	–	–	–	–
Impairment losses	–	–	–	–	–	–
Carrying amount at 30 September financial year	**175**	**176**	**–**	**–**	**3,444**	**3,342**
Accumulated impairment losses at 30 September financial year	409	381	156	156	616	583
Gross carrying amount at 30 September financial year	584	557	156	156	4,060	3,925

Breakdown of other intangible assets

€m	30.9.2014	31.12.2013
Acquired insurance portfolios	355	385
Software		
Self-developed	94	102
Other	264	259
Acquired brand names	35	31
Acquired distribution networks/client bases	319	296
Acquired licences/patents	258	253
Other		
Self-developed	–	–
Other	42	54
Total	**1,367**	**1,380**

Investments

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

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

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

Valuation models

Bonds	Pricing method	Parameters	Pricing model
Interest-rate risks			
Loans against borrower's note/ registered bonds	Theoretical price	Sector-, rating- or issuer-specific yield curve	Present-value method
Cat bond (host)	Theoretical price	Interest-rate curve	Present-value method
Mortgage loans	Theoretical price	Sector-specific yield curve	Present-value method

Derivatives	Pricing method	Parameters	Pricing model
Equity and index risks			
OTC stock options	Theoretical price	Listing of underlying shares Effective volatilities Money-market interest rate Dividend yield	Black-Scholes (European) Cox, Ross and Rubinstein (American) Monte-Carlo simulation
Equity forwards	Theoretical price	Listing of underlying shares Money-market interest rate Dividend yield	Present-value method
Interest-rate risks			
Interest-rate swaps	Theoretical price	Swap curve Money-market interest-rate curve	Present-value method
Swaptions/interest-rate guarantee	Theoretical price	At-the-money volatility index and skew swap curve Money-market interest-rate curve	Black-76
Interest-rate currency swaps	Theoretical price	Swap curve Money-market interest-rate curve Currency spot rates	Present-value method
Inflation swaps	Theoretical price	Zero-coupon inflation swap rates Swap curve Money-market interest-rate curve	Present-value method
Currency risks			
Currency options	Theoretical price	At-the-money volatility Currency spot rates Money-market interest-rate curve	Garman-Kohlhagen (European)
Currency forwards	Theoretical price	Currency spot rates Money-market interest-rate curve	Present-value method
Other transactions			
Insurance-linked derivatives (excluding variable annuities)	Theoretical price	Market values of cat bonds Historical event data Interest-rate curve	Present-value method
Insurance-linked derivatives (variable annuities)	Theoretical price	Biometric and lapse rates Volatilities Interest-rate curve Currency spot rates	Present-value method
Credit default swaps	Theoretical price	Credit spreads Recovery rates Interest-rate curve	Present-value method ISDA CDS Standard Model
Total return swaps on commodities	Theoretical price	Listing of underlying index	Index ratio calculation
Commodity options	Theoretical price	Listing of underlying shares Effective volatilities Money-market interest rate	Black-Scholes (European) Cox, Ross and Rubinstein (American)

Bonds with embedded derivatives	Pricing method	Parameters	Pricing model
Callable bonds	Theoretical price	Money-market/swap interest-rate curve Issuer-specific spreads Volatility matrix	Hull-White model
CMS floaters	Theoretical price	Money-market/swap interest-rate curve Issuer-specific spreads Volatility matrix	Hull-White model
Zero-to-coupon switchable bonds	Theoretical price	Money-market/swap interest-rate curve Issuer-specific spreads Volatility matrix	Hull-White model
Zero-to-CMS switchable bonds	Theoretical price	Money-market/swap interest-rate curve Issuer-specific spreads Volatility matrix	LIBOR market model
Volatility bonds	Theoretical price	Money-market/swap interest-rate curve Issuer-specific spreads Volatility matrix	LIBOR market model
CMS floaters with variable cap	Theoretical price	Money-market/swap interest-rate curve Issuer-specific spreads Volatility matrix	Replication model (Hagan)
CMS steepeners	Theoretical price	Money-market/swap interest-rate curve Issuer-specific spreads Volatility matrix Correlation matrix	Replication model (Hagan)
Dax-Cliquet	Theoretical price	Listing of underlying shares Volatilities Issuer-specific spreads Money-market/swap interest-rate curve	Black-Scholes (European) Present-value method
Convergence bonds	Theoretical price	Money-market/swap interest-rate curves Issuer-specific spreads Volatility matrix Correlation matrix	LIBOR market model
Multi-tranches	Theoretical price	At-the-money volatility index and skew swap curve Money-market interest-rate curve Sector-, rating- or issuer-specific curve	Black-76, present value method
FIS loans against borrower's note	Theoretical price	At-the-money volatility index and skew swap curve Money-market interest-rate curve Sector-, rating- or issuer-specific curve	Black-76, present value method
Swaption notes	Theoretical price	At-the-money volatility index and skew swap curve Money-market interest-rate curve Sector-, rating- or issuer-specific curve	Black-76, present value method

Fund	Pricing method	Parameters	Pricing model
Real estate funds	–	–	Net asset value
Private equity funds	–	–	Net asset value

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

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

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

At 30 September 2014, around 9% of the investments measured at fair value were allocated to Level 1 of the fair value hierarchy, 87% to Level 2 and 4% to Level 3.

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

				30.9.2014
€m	Level 1	Level 2	Level 3	Total
Investments in affiliated companies measured at fair value	–	–	254	254
Investments in associates and joint ventures measured at fair value	–	–	7	7
Other securities available for sale				
Fixed-interest	419	124,534	2,557	127,510
Non-fixed-interest	8,432	1,071	2,313	11,816
Other securities at fair value through profit or loss				
Held for trading, and hedging derivatives[1]	212	2,295	77	2,584
Designated as at fair value through profit or loss	–	204	–	204
Other investments	–	33	–	33
Investments for the benefit of life insurance policyholders who bear the investment risk	5,118	2,393	–	7,511
Total	**14,181**	**130,530**	**5,208**	**149,919**

€m	Level 1	Level 2	Level 3	31.12.2013 Total
Investments in affiliated companies measured at fair value	38	–	176	214
Investments in associates and joint ventures measured at fair value	–	–	9	9
Other securities available for sale				
Fixed-interest	769	110,125	2,777	113,671
Non-fixed-interest	8,092	2,032	2,107	12,231
Other securities at fair value through profit or loss				
Held for trading, and hedging derivatives[1]	783	2,092	77	2,952
Designated as at fair value through profit or loss	–	164	–	164
Other investments	–	31	–	31
Investments for the benefit of life insurance policyholders who bear the investment risk	6,135	564	–	6,699
Total	**15,817**	**115,008**	**5,146**	**135,971**

1 Included are hedging derivatives of €216m (229m) accounted for under "other assets".

Since the beginning of the year, we have not made any change in the allocation to the individual levels of the fair value hierarchy.

The only investments held for trading that are allocated to Level 3 are derivatives. The following table presents the reconciliation from the opening balances to the closing balances for investments allocated to Level 3.

Reconciliation for investments allocated to Level 3

	Investments in affiliated companies measured at fair value		Investments in associates and joint ventures measured at fair value	
€m	Q1–3 2014	Q1–3 2013	Q1–3 2014	Q1–3 2013
Carrying amount at 31 Dec. previous year	176	194	9	16
Gains and losses	11	-6	–	–
Gains (losses) recognised in the income statement	-1	-2	–	–
Gains (losses) recognised in equity	12	-4	–	–
Acquisitions	43	4	–	–
Disposals	14	4	1	–
Transfer to Level 3	38	–	–	–
Transfer out of Level 3	–	–	1	–
Changes in the market value of derivatives	–	–	–	–
Carrying amount at 30 September financial year	**254**	**188**	**7**	**16**
Gains (losses) recognised in the income statement that are attributable to investments shown at 30 September of the financial year	-2	-3	–	–

€m	Other securities available for sale: Fixed-interest Q1–3 2014	Fixed-interest Q1–3 2013	Non-fixed-interest Q1–3 2014	Non-fixed-interest Q1–3 2013
Carrying amount at 31 Dec. previous year	2,777	2,118	2,107	1,978
Gains and losses	116	8	128	29
Gains (losses) recognised in the income statement	13	35	–2	–8
Gains (losses) recognised in equity	103	–27	130	37
Acquisitions	723	1,474	301	228
Disposals	1,062	1,221	222	170
Transfer to Level 3	7	480	4	–
Transfer out of Level 3	4	94	5	1
Changes in the market value of derivatives	–	–1	–	–2
Carrying amount at 30 September financial year	**2,557**	**2,764**	**2,313**	**2,062**
Gains (losses) recognised in the income statement that are attributable to investments shown at 30 September of the financial year	13	37	–3	–10

	Other securities at fair value through profit or loss				Total	
	Held for trading, and hedging derivatives		Designated as at fair value through profit or loss			
€m	Q1–3 2014	Q1–3 2013	Q1–3 2014	Q1–3 2013	Q1–3 2014	Q1–3 2013
Carrying amount at 31 Dec. previous year	77	33	–	–	5,146	4,339
Gains and losses	58	18	–	–	313	49
Gains (losses) recognised in the income statement	54	19	–	–	64	44
Gains (losses) recognised in equity	4	–1	–	–	249	5
Acquisitions	39	–	–	–	1,106	1,706
Disposals	98	1	–	–	1,397	1,396
Transfer to Level 3	–	–	–	–	49	480
Transfer out of Level 3	–	–	–	–	10	95
Change in the market value of derivatives	1	–	–	–	1	–3
Carrying amount at 30 September financial year	**77**	**50**	**–**	**–**	**5,208**	**5,080**
Gains (losses) recognised in the income statement that are attributable to investments shown at 30 September of the financial year	16	19	–	–	24	43

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

Equity

Number of shares in circulation and number of own shares held

	30.9.2014	31.12.2013
Number of shares in circulation	170,243,381	177,421,900
Number of own shares held	2,699,237	1,919,312
Total	**172,942,618**	**179,341,212**

Non-controlling interests

€m	30.9.2014	31.12.2013
Unrealised gains and losses	15	8
Consolidated result	12	29
Other equity	229	206
Total	**256**	**243**

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

Subordinated liabilities

Breakdown of subordinated liabilities

€m	Identification number	A.M. Best	Fitch	Moody's	S&P	30.9.2014	31.12.2013
Munich Reinsurance Company, Munich, 6.25% until 2022, thereafter floating, €900m, Bonds 2012/2042	WKN: A1ML16 ISIN: XS0764278528 Reuters: DE076427852= Bloomberg: MUNRE	a	A	–	A	894	893
Munich Reinsurance Company, Munich, 6.625% until 2022, thereafter floating, £450m, Bonds 2012/2042	WKN: A1ML15 ISIN: XS0764278288 Reuters: DE076427828= Bloomberg: MUNRE	a+	A	–	A	575	539
Munich Reinsurance Company, Munich, 6.00% until 2021, thereafter floating, €1,000m, Bonds 2011/2041	WKN: A1KQYJ ISIN: XS0608392550 Reuters: DE060839255= Bloomberg: MUNRE	a	A	–	A	991	990
Munich Reinsurance Company, Munich, 5.767% until 2017, thereafter floating, €1,349m, Bonds 2007/perpetual	WKN: A0N4EX ISIN: XS0304987042 Reuters: DE030498704= Bloomberg: MUNRE	a	A	A3 (hyb)	A	1,516	1,531
Munich Reinsurance Company, Munich, 7.625% until 2018, thereafter floating, £300m, Bonds 2003/2028	WKN: 843449 ISIN: XS0167260529 Reuters: DE016726052= Bloomberg: MUNRE	a+	A	A2 (hyb)	A	383	359
ERGO Versicherung Aktiengesellschaft, Vienna, 4.95%, €50m[1], Registered bonds 2004/2014		–	–	–	–	–	50
ERGO Versicherung Aktiengesellschaft, Vienna, secondary market yield on federal government bonds (Austria) +70 BP, €12m[2], Registered bonds 2001/perpetual		–	–	–	–	12	12
ERGO Versicherung Aktiengesellschaft, Vienna, secondary market yield on federal government bonds (Austria) +70 BP, €13m[3], Registered bonds 1998/perpetual		–	–	–	–	13	13
HSB Group Inc., Delaware, LIBOR +91 BP, US$ 76m, Bonds 1997/2027		–	–	–	–	42	37
Total						**4,426**	**4,424**

1 In the first quarter 2014, the issuer redeemed bonds with a nominal value of €50m.
2 ERGO International AG holds bonds with a nominal value of €3m; the volume outstanding has been reduced accordingly.
3 ERGO Versicherungsgruppe AG holds bonds with a nominal value of €3m; the volume outstanding has been reduced accordingly.

The fair value of the subordinated liabilities at the balance sheet date amounted to €4,941m (4,828m). For the Munich Reinsurance Company bonds, we take the stock market prices as fair values. For the other subordinated liabilities, we determine the fair values using net present value methods with observable market parameters.

Liabilities

Breakdown of bonds and notes issued

€m	Identification number	A.M. Best	Fitch	Moody's	S&P	30.9.2014	31.12.2013
Munich Re America Corporation, Wilmington, 7.45%, US$ 342m, Senior Notes 1996/2026	CUSIP No.: 029163AD4 ISIN, Reuters: – Bloomberg: AMER RE CORP MUNRE	a–	A+	A2	A–	270	248
Total						**270**	**248**

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 €357m (309m).

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

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

				30.9.2014				31.12.2013
€m	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Other liabilities								
Derivatives	50	1,223	179	1,452	127	681	147	955

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

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

Reconciliation for liabilities allocated to Level 3

	Other liabilities at fair value through profit or loss	
€m	Q1–3 2014	Q1–3 2013
Carrying amount at 31 Dec. previous year	147	191
Gains and losses	–91	78
Gains (losses) recognised in the income statement	–83	74
Gains (losses) recognised in equity	–8	4
Acquisitions	77	56
Disposals	138	29
Transfer to Level 3	1	–
Transfer out of Level 3	–	–
Change in the market value of derivatives	1	–
Carrying amount at 30 September financial year	**179**	**140**
Gains (losses) recognised in the income statement that are attributable to investments shown at 30 September of the financial year	–32	73

Notes to the consolidated income statement

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

Premiums

	Reinsurance			
	Life		Property-casualty	
€m	Q1–3 2014	Q1–3 2013	Q1–3 2014	Q1–3 2013
Gross premiums written	7,393	8,194	12,762	12,796
Change in unearned premiums – Gross	-6	-5	237	194
Gross earned premiums	**7,399**	**8,199**	**12,525**	**12,602**
Ceded premiums written	309	328	560	580
Change in unearned premiums – Ceded share	–	–	87	56
Earned premiums ceded	**309**	**328**	**473**	**524**
Net earned premiums	**7,090**	**7,871**	**12,052**	**12,078**

→	Primary insurance					
	Life		Health		Property-casualty	
€m	Q1–3 2014	Q1–3 2013	Q1–3 2014	Q1–3 2013	Q1–3 2014	Q1–3 2013
Gross premiums written	4,097	3,936	4,275	4,289	4,263	4,387
Change in unearned premiums – Gross	24	10	6	3	250	294
Gross earned premiums	**4,073**	**3,926**	**4,269**	**4,286**	**4,013**	**4,093**
Ceded premiums written	53	75	4	34	158	144
Change in unearned premiums – Ceded share	–	–	-8	-2	3	8
Earned premiums ceded	**53**	**75**	**12**	**36**	**155**	**136**
Net earned premiums	**4,020**	**3,851**	**4,257**	**4,250**	**3,858**	**3,957**

→	Munich Health		Total	
€m	Q1–3 2014	Q1–3 2013	Q1–3 2014	Q1–3 2013
Gross premiums written	4,043	4,988	36,833	38,590
Change in unearned premiums – Gross	-107	25	404	521
Gross earned premiums	**4,150**	**4,963**	**36,429**	**38,069**
Ceded premiums written	112	140	1,196	1,301
Change in unearned premiums – Ceded share	-6	-18	76	44
Earned premiums ceded	**118**	**158**	**1,120**	**1,257**
Net earned premiums	**4,032**	**4,805**	**35,309**	**36,812**

Premiums

	Reinsurance			
	Life		Property-casualty	
€m	Q3 2014	Q3 2013	Q3 2014	Q3 2013
Gross premiums written	2,449	2,631	4,284	4,263
Change in unearned premiums – Gross	-6	-6	82	58
Gross earned premiums	**2,455**	**2,637**	**4,202**	**4,205**
Ceded premiums written	97	109	203	154
Change in unearned premiums – Ceded share	–	–	25	-39
Earned premiums ceded	**97**	**109**	**178**	**193**
Net earned premiums	**2,358**	**2,528**	**4,024**	**4,012**

→	Primary insurance					
	Life		Health		Property-casualty	
€m	Q3 2014	Q3 2013	Q3 2014	Q3 2013	Q3 2014	Q3 2013
Gross premiums written	1,349	1,278	1,423	1,421	1,245	1,293
Change in unearned premiums – Gross	7	6	-13	-11	-109	-116
Gross earned premiums	**1,342**	**1,272**	**1,436**	**1,432**	**1,354**	**1,409**
Ceded premiums written	17	23	4	10	47	35
Change in unearned premiums – Ceded share	–	–	-1	-2	-10	-18
Earned premiums ceded	**17**	**23**	**5**	**12**	**57**	**53**
Net earned premiums	**1,325**	**1,249**	**1,431**	**1,420**	**1,297**	**1,356**

→	Munich Health		Total	
€m	Q3 2014	Q3 2013	Q3 2014	Q3 2013
Gross premiums written	1,303	1,611	12,053	12,497
Change in unearned premiums – Gross	-8	22	-47	-47
Gross earned premiums	**1,311**	**1,589**	**12,100**	**12,544**
Ceded premiums written	35	40	403	371
Change in unearned premiums – Ceded share	-2	-3	12	-62
Earned premiums ceded	**37**	**43**	**391**	**433**
Net earned premiums	**1,274**	**1,546**	**11,709**	**12,111**

Income from technical interest

	Reinsurance			
	Life		Property-casualty	
€m	Q1–3 2014	Q1–3 2013	Q1–3 2014	Q1–3 2013
Income from technical interest	513	546	898	892

→	Primary insurance					
	Life		Health		Property-casualty	
€m	Q1–3 2014	Q1–3 2013	Q1–3 2014	Q1–3 2013	Q1–3 2014	Q1–3 2013
Income from technical interest	2,859	2,338	1,128	1,081	154	157

→	Munich Health		Total	
€m	Q1–3 2014	Q1–3 2013	Q1–3 2014	Q1–3 2013
Income from technical interest	28	30	5,580	5,044

Income from technical interest

	Reinsurance			
	Life		Property-casualty	
€m	Q3 2014	Q3 2013	Q3 2014	Q3 2013
Income from technical interest	168	189	305	296

→	Primary insurance					
	Life		Health		Property-casualty	
€m	Q3 2014	Q3 2013	Q3 2014	Q3 2013	Q3 2014	Q3 2013
Income from technical interest	874	853	368	335	52	52

→	Munich Health		Total	
€m	Q3 2014	Q3 2013	Q3 2014	Q3 2013
Income from technical interest	9	10	1,776	1,735

Expenses for claims and benefits

			Reinsurance	
		Life		Property-casualty
€m	Q1–3 2014	Q1–3 2013	Q1–3 2014	Q1–3 2013
Gross				
Claims and benefits paid	5,493	6,222	7,715	7,027
Changes in technical provisions				
Provision for future policy benefits	131	–395	–1	–5
Provision for outstanding claims	393	468	70	816
Provision for premium refunds	–	–	4	4
Other technical result	–2	8	4	1
Gross expenses for claims and benefits	**6,015**	**6,303**	**7,792**	**7,843**
Ceded share				
Claims and benefits paid	256	261	280	327
Changes in technical provisions				
Provision for future policy benefits	–49	–64	–	–
Provision for outstanding claims	–10	–15	–65	–127
Provision for premium refunds	–	–	–	–
Other technical result	–28	–25	–	–1
Expenses for claims and benefits – Ceded share	**169**	**157**	**215**	**199**
Net				
Claims and benefits paid	5,237	5,961	7,435	6,700
Changes in technical provisions				
Provision for future policy benefits	180	–331	–1	–5
Provision for outstanding claims	403	483	135	943
Provision for premium refunds	–	–	4	4
Other technical result	26	33	4	2
Net expenses for claims and benefits	**5,846**	**6,146**	**7,577**	**7,644**

→						Primary insurance
		Life		Health		Property-casualty
€m	Q1–3 2014	Q1–3 2013	Q1–3 2014	Q1–3 2013	Q1–3 2014	Q1–3 2013
Gross						
Claims and benefits paid	4,705	4,475	3,047	3,068	2,283	2,348
Changes in technical provisions						
Provision for future policy benefits	388	–91	826	727	4	9
Provision for outstanding claims	55	62	–64	–30	111	246
Provision for premium refunds	861	912	769	789	17	17
Other technical result	106	112	7	–3	4	–4
Gross expenses for claims and benefits	**6,115**	**5,470**	**4,585**	**4,551**	**2,419**	**2,616**
Ceded share						
Claims and benefits paid	144	110	12	17	60	73
Changes in technical provisions						
Provision for future policy benefits	–58	–5	–	–	–	–
Provision for outstanding claims	–6	–	–5	3	–28	17
Provision for premium refunds	–	–	–	–	–1	–
Other technical result	–48	–50	–	–	1	–4
Expenses for claims and benefits – Ceded share	**32**	**55**	**7**	**20**	**32**	**86**
Net						
Claims and benefits paid	4,561	4,365	3,035	3,051	2,223	2,275
Changes in technical provisions						
Provision for future policy benefits	446	–86	826	727	4	9
Provision for outstanding claims	61	62	–59	–33	139	229
Provision for premium refunds	861	912	769	789	18	17
Other technical result	154	162	7	–3	3	–
Net expenses for claims and benefits	**6,083**	**5,415**	**4,578**	**4,531**	**2,387**	**2,530**

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→	Munich Health		Total	
€m	Q1–3 2014	Q1–3 2013	Q1–3 2014	Q1–3 2013
Gross				
Claims and benefits paid	3,189	3,988	26,432	27,128
Changes in technical provisions				
Provision for future policy benefits	72	56	1,420	301
Provision for outstanding claims	122	–43	687	1,519
Provision for premium refunds	–	–	1,651	1,722
Other technical result	–	–47	119	67
Gross expenses for claims and benefits	**3,383**	**3,954**	**30,309**	**30,737**
Ceded share				
Claims and benefits paid	44	83	796	871
Changes in technical provisions				
Provision for future policy benefits	1	–	–106	–69
Provision for outstanding claims	25	27	–89	–95
Provision for premium refunds	–	–	–1	–
Other technical result	–	–	–75	–80
Expenses for claims and benefits – Ceded share	**70**	**110**	**525**	**627**
Net				
Claims and benefits paid	3,145	3,905	25,636	26,257
Changes in technical provisions				
Provision for future policy benefits	71	56	1,526	370
Provision for outstanding claims	97	–70	776	1,614
Provision for premium refunds	–	–	1,652	1,722
Other technical result	–	–47	194	147
Net expenses for claims and benefits	**3,313**	**3,844**	**29,784**	**30,110**

Expenses for claims and benefits

	Reinsurance			
	Life		Property-casualty	
€m	Q3 2014	Q3 2013	Q3 2014	Q3 2013
Gross				
Claims and benefits paid	1,833	2,254	2,325	1,920
Changes in technical provisions				
Provision for future policy benefits	40	-146	–	-3
Provision for outstanding claims	55	289	280	741
Provision for premium refunds	–	–	1	2
Other technical result	-2	-3	1	–
Gross expenses for claims and benefits	**1,926**	**2,394**	**2,607**	**2,660**
Ceded share				
Claims and benefits paid	50	47	99	102
Changes in technical provisions				
Provision for future policy benefits	-12	-21	–	–
Provision for outstanding claims	18	32	25	-15
Provision for premium refunds	–	–	–	–
Other technical result	-8	-10	–	–
Expenses for claims and benefits – Ceded share	**48**	**48**	**124**	**87**
Net				
Claims and benefits paid	1,783	2,207	2,226	1,818
Changes in technical provisions				
Provision for future policy benefits	52	-125	–	-3
Provision for outstanding claims	37	257	255	756
Provision for premium refunds	–	–	1	2
Other technical result	6	7	1	–
Net expenses for claims and benefits	**1,878**	**2,346**	**2,483**	**2,573**

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						Primary insurance
		Life		Health		Property-casualty
€m	Q3 2014	Q3 2013	Q3 2014	Q3 2013	Q3 2014	Q3 2013
Gross						
Claims and benefits paid	1,606	1,481	1,016	994	756	802
Changes in technical provisions						
Provision for future policy benefits	-5	-113	268	223	1	2
Provision for outstanding claims	37	46	-4	15	38	123
Provision for premium refunds	282	496	261	257	5	7
Other technical result	28	40	–	–	-1	-7
Gross expenses for claims and benefits	**1,948**	**1,950**	**1,541**	**1,489**	**799**	**927**
Ceded share						
Claims and benefits paid	45	31	2	7	20	34
Changes in technical provisions						
Provision for future policy benefits	-17	-2	–	–	–	–
Provision for outstanding claims	4	–	-1	2	-27	-7
Provision for premium refunds	–	–	–	–	–	–
Other technical result	-16	-16	–	–	1	1
Expenses for claims and benefits – Ceded share	**16**	**13**	**1**	**9**	**-6**	**28**
Net						
Claims and benefits paid	1,561	1,450	1,014	987	736	768
Changes in technical provisions						
Provision for future policy benefits	12	-111	268	223	1	2
Provision for outstanding claims	33	46	-3	13	65	130
Provision for premium refunds	282	496	261	257	5	7
Other technical result	44	56	–	–	-2	-8
Net expenses for claims and benefits	**1,932**	**1,937**	**1,540**	**1,480**	**805**	**899**

→	Munich Health		Total	
€m	Q3 2014	Q3 2013	Q3 2014	Q3 2013
Gross				
Claims and benefits paid	997	1,230	8,533	8,681
Changes in technical provisions				
Provision for future policy benefits	23	19	327	–18
Provision for outstanding claims	31	29	437	1,243
Provision for premium refunds	–	–	549	762
Other technical result	–	–10	26	20
Gross expenses for claims and benefits	**1,051**	**1,268**	**9,872**	**10,688**
Ceded share				
Claims and benefits paid	14	13	230	234
Changes in technical provisions				
Provision for future policy benefits	1	–	–28	–23
Provision for outstanding claims	2	30	21	42
Provision for premium refunds	–	–	–	–
Other technical result	–	–	–23	–25
Expenses for claims and benefits – Ceded share	**17**	**43**	**200**	**228**
Net				
Claims and benefits paid	983	1,217	8,303	8,447
Changes in technical provisions				
Provision for future policy benefits	22	19	355	5
Provision for outstanding claims	29	–1	416	1,201
Provision for premium refunds	–	–	549	762
Other technical result	–	–10	49	45
Net expenses for claims and benefits	**1,034**	**1,225**	**9,672**	**10,460**

Operating expenses

	Reinsurance			
	Life		Property-casualty	
€m	Q1–3 2014	Q1–3 2013	Q1–3 2014	Q1–3 2013
Acquisition costs, profit commission and reinsurance commission paid	1,469	2,361	3,148	2,835
Administrative expenses	214	201	882	862
Change in deferred acquisition costs and contingent commissions, amortisation and impairment losses of acquired insurance portfolios	–86	–451	–323	–45
Gross operating expenses	**1,597**	**2,111**	**3,707**	**3,652**
Ceded share of acquisition costs, profit commission and reinsurance commission paid	112	113	60	61
Ceded share of change in deferred acquisition costs and contingent commissions	6	–	–9	–7
Operating expenses – Ceded share	**118**	**113**	**51**	**54**
Net operating expenses	**1,479**	**1,998**	**3,656**	**3,598**

→

	Primary insurance					
	Life		Health		Property-casualty	
€m	Q1–3 2014	Q1–3 2013	Q1–3 2014	Q1–3 2013	Q1–3 2014	Q1–3 2013
Acquisition costs, profit commission and reinsurance commission paid	539	533	375	392	853	872
Administrative expenses	182	177	134	118	513	526
Change in deferred acquisition costs and contingent commissions, amortisation and impairment losses of acquired insurance portfolios	120	121	7	1	–19	–44
Gross operating expenses	**841**	**831**	**516**	**511**	**1,347**	**1,354**
Ceded share of acquisition costs, profit commission and reinsurance commission paid	5	11	1	12	20	15
Ceded share of change in deferred acquisition costs and contingent commissions	–	–	1	1	–1	–
Operating expenses – Ceded share	**5**	**11**	**2**	**13**	**19**	**15**
Net operating expenses	**836**	**820**	**514**	**498**	**1,328**	**1,339**

€m	Munich Health Q1–3 2014	Munich Health Q1–3 2013	Total Q1–3 2014	Total Q1–3 2013
Acquisition costs, profit commission and reinsurance commission paid	559	768	6,943	7,761
Administrative expenses	75	128	2,000	2,012
Change in deferred acquisition costs and contingent commissions, amortisation and impairment losses of acquired insurance portfolios	66	13	–235	–405
Gross operating expenses	**700**	**909**	**8,708**	**9,368**
Ceded share of acquisition costs, profit commission and reinsurance commission paid	39	31	237	243
Ceded share of change in deferred acquisition costs and contingent commissions	2	4	–1	–2
Operating expenses – Ceded share	**41**	35	236	241
Net operating expenses	**659**	**874**	**8,472**	**9,127**

Operating expenses

	Reinsurance			
	Life		Property-casualty	
€m	Q3 2014	Q3 2013	Q3 2014	Q3 2013
Acquisition costs, profit commission and reinsurance commission paid	595	500	1,149	930
Administrative expenses	70	64	279	280
Change in deferred acquisition costs and contingent commissions, amortisation and impairment losses of acquired insurance portfolios	–26	–128	–220	20
Gross operating expenses	**639**	**436**	**1,208**	**1,230**
Ceded share of acquisition costs, profit commission and reinsurance commission paid	42	35	29	26
Ceded share of change in deferred acquisition costs and contingent commissions	6	3	–10	–6
Operating expenses – Ceded share	**48**	**38**	**19**	**20**
Net operating expenses	**591**	**398**	**1,189**	**1,210**

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						Primary insurance
		Life		Health		Property-casualty
€m	Q3 2014	Q3 2013	Q3 2014	Q3 2013	Q3 2014	Q3 2013
Acquisition costs, profit commission and reinsurance commission paid	167	175	117	120	275	303
Administrative expenses	60	57	43	41	163	165
Change in deferred acquisition costs and contingent commissions, amortisation and impairment losses of acquired insurance portfolios	39	-57	10	–	14	-9
Gross operating expenses	**266**	**175**	**170**	**161**	**452**	**459**
Ceded share of acquisition costs, profit commission and reinsurance commission paid	1	-1	1	2	8	10
Ceded share of change in deferred acquisition costs and contingent commissions	–	1	–	1	2	1
Operating expenses – Ceded share	**1**	**–**	**1**	**3**	**10**	**11**
Net operating expenses	**265**	**175**	**169**	**158**	**442**	**448**

		Munich Health		Total
€m	Q3 2014	Q3 2013	Q3 2014	Q3 2013
Acquisition costs, profit commission and reinsurance commission paid	192	226	2,495	2,254
Administrative expenses	25	41	640	648
Change in deferred acquisition costs and contingent commissions, amortisation and impairment losses of acquired insurance portfolios	-2	3	-185	-171
Gross operating expenses	**215**	**270**	**2,950**	**2,731**
Ceded share of acquisition costs, profit commission and reinsurance commission paid	15	7	96	79
Ceded share of change in deferred acquisition costs and contingent commissions	1	4	-1	4
Operating expenses – Ceded share	**16**	**11**	**95**	**83**
Net operating expenses	**199**	**259**	**2,855**	**2,648**

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

	Reinsurance			
	Life		Property-casualty	
€m	Q1–3 2014	Q1–3 2013	Q1–3 2014	Q1–3 2013
Land and buildings, including buildings on third-party land	13	13	68	69
Investments in affiliated companies	–1	–	10	1
Investments in associates and joint ventures	–	–	45	29
Loans	2	1	7	2
Other securities held to maturity	–	–	1	–
Other securities available for sale				
Fixed-interest	383	380	1,273	1,200
Non-fixed-interest	138	97	656	461
Other securities at fair value through profit or loss				
Held for trading				
Fixed-interest	–	–	–	2
Non-fixed-interest	–	–	2	1
Derivatives	–116	–31	–691	–358
Designated as at fair value through profit or loss				
Fixed-interest	–	–	–	–
Non-fixed-interest	–	–	–	–
Deposits retained on assumed reinsurance, and other investments	218	222	50	–22
Investments for the benefit of life insurance policyholders who bear the investment risk	–	–	–	–
Expenses for the management of investments, other expenses	50	63	126	116
Total	587	619	1,295	1,269

→

	Primary insurance					
	Life		Health		Property-casualty	
€m	Q1–3 2014	Q1–3 2013	Q1–3 2014	Q1–3 2013	Q1–3 2014	Q1–3 2013
Land and buildings, including buildings on third-party land	106	71	45	46	4	4
Investments in affiliated companies	1	–	–5	–8	–4	8
Investments in associates and joint ventures	3	5	12	8	–1	20
Loans	1,223	1,192	550	540	51	63
Other securities held to maturity	–	–	–	–	–	–
Other securities available for sale						
Fixed-interest	967	1,107	459	452	152	177
Non-fixed-interest	150	94	93	62	86	80
Other securities at fair value through profit or loss						
Held for trading						
Fixed-interest	1	–6	–	–	–	–
Non-fixed-interest	1	–	–	–	–	–
Derivatives	365	–186	–40	–51	–41	–35
Designated as at fair value through profit or loss						
Fixed-interest	35	1	–	–	–	–
Non-fixed-interest	–	–	–	–	–	–
Deposits retained on assumed reinsurance, and other investments	8	8	–	–1	7	6
Investments for the benefit of life insurance policyholders who bear the investment risk	404	241	–	–	–	–
Expenses for the management of investments, other expenses	125	122	51	47	16	23
Total	3,139	2,405	1,063	1,001	238	300

Continued on next page

→	Munich Health		Asset management		Total	
€m	Q1–3 2014	Q1–3 2013	Q1–3 2014	Q1–3 2013	Q1–3 2014	Q1–3 2013
Land and buildings, including buildings on third-party land	1	–	3	4	240	207
Investments in affiliated companies	–	–44	–3	–	–2	–43
Investments in associates and joint ventures	–10	5	4	–6	53	61
Loans	1	1	–	–	1,834	1,799
Other securities held to maturity	–	–	–	–	1	–
Other securities available for sale						
Fixed-interest	71	90	2	2	3,307	3,408
Non-fixed-interest	–	9	4	1	1,127	804
Other securities at fair value through profit or loss						
Held for trading						
Fixed-interest	–	–	–	–	1	–4
Non-fixed-interest	–	–	–	–	3	1
Derivatives	–1	8	–	–	–524	–653
Designated as at fair value through profit or loss						
Fixed-interest	–	–	–	–	35	1
Non-fixed-interest	–	–	–	–	–	–
Deposits retained on assumed reinsurance, and other investments	1	1	1	–	285	214
Investments for the benefit of life insurance policyholders who bear the investment risk	–	–	–	–	404	241
Expenses for the management of investments, other expenses	5	3	–1	–	372	374
Total	58	67	12	1	6,392	5,662

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

	Reinsurance			
	Life		Property-casualty	
€m	Q3 2014	Q3 2013	Q3 2014	Q3 2013
Land and buildings, including buildings on third-party land	4	4	23	21
Investments in affiliated companies	–1	–	9	2
Investments in associates and joint ventures	–	–	18	13
Loans	1	–	2	1
Other securities held to maturity	–	–	1	–
Other securities available for sale				
Fixed-interest	130	113	413	354
Non-fixed-interest	43	58	202	266
Other securities at fair value through profit or loss				
Held for trading				
Fixed-interest	–	–	–	3
Non-fixed-interest	–	–	–	–
Derivatives	–72	–1	–404	–65
Designated as at fair value through profit or loss				
Fixed-interest	–	–	–	–
Non-fixed-interest	–	–	–	–
Deposits retained on assumed reinsurance, and other investments	66	101	–8	46
Investments for the benefit of life insurance policyholders who bear the investment risk	–	–	–	–
Expenses for the management of investments, other expenses	16	18	42	36
Total	155	257	214	605

	Life		Health		Primary insurance Property-casualty	
€m	Q3 2014	Q3 2013	Q3 2014	Q3 2013	Q3 2014	Q3 2013
Land and buildings, including buildings on third-party land	49	26	16	14	1	–
Investments in affiliated companies	1	–	-2	-3	-4	1
Investments in associates and joint ventures	2	3	5	3	-3	14
Loans	389	363	186	183	16	20
Other securities held to maturity	–	–	–	–	–	–
Other securities available for sale						
Fixed-interest	295	351	156	142	45	48
Non-fixed-interest	34	17	1	17	11	21
Other securities at fair value through profit or loss						
Held for trading						
Fixed-interest	–	-2	–	–	–	–
Non-fixed-interest	1	–	–	–	–	–
Derivatives	163	-69	-1	-30	-17	-16
Designated as at fair value through profit or loss						
Fixed-interest	12	2	–	–	–	–
Non-fixed-interest	–	–	–	–	–	–
Deposits retained on assumed reinsurance, and other investments	2	3	-1	–	3	2
Investments for the benefit of life insurance policyholders who bear the investment risk	79	218	–	–	–	–
Expenses for the management of investments, other expenses	46	44	18	21	5	9
Total	981	868	342	305	47	81

	Munich Health		Asset management		Total	
€m	Q3 2014	Q3 2013	Q3 2014	Q3 2013	Q3 2014	Q3 2013
Land and buildings, including buildings on third-party land	1	–	1	1	95	66
Investments in affiliated companies	–	-44	-1	–	2	-44
Investments in associates and joint ventures	-5	3	–	1	17	37
Loans	–	–	–	–	594	567
Other securities held to maturity	–	–	–	–	1	–
Other securities available for sale						
Fixed-interest	21	21	-3	1	1,057	1,030
Non-fixed-interest	–	–	3	–	294	379
Other securities at fair value through profit or loss						
Held for trading						
Fixed-interest	–	–	–	–	–	1
Non-fixed-interest	–	–	–	–	1	–
Derivatives	-1	–	–	–	-332	-181
Designated as at fair value through profit or loss						
Fixed-interest	–	–	–	–	12	2
Non-fixed-interest	–	–	–	–	–	–
Deposits retained on assumed reinsurance, and other investments	1	1	–	–	63	153
Investments for the benefit of life insurance policyholders who bear the investment risk	–	–	–	–	79	218
Expenses for the management of investments, other expenses	2	1	-1	–	128	129
Total	15	-20	1	3	1,755	2,099

Investment income by segment (before deduction of technical interest)

	Reinsurance			
	Life		Property-casualty	
€m	Q1–3 2014	Q1–3 2013	Q1–3 2014	Q1–3 2013
Regular income	640	688	1,268	1,365
Thereof: Interest income	536	567	918	1,026
Income from write-ups	404	394	478	660
Gains on the disposal of investments	316	293	1,626	1,378
Other income	–	–	–	–
Total	**1,360**	**1,375**	**3,372**	**3,403**

→

	Primary insurance					
	Life		Health		Property-casualty	
€m	Q1–3 2014	Q1–3 2013	Q1–3 2014	Q1–3 2013	Q1–3 2014	Q1–3 2013
Regular income	2,117	2,193	1,127	1,133	210	230
Thereof: Interest income	1,941	2,032	978	961	172	186
Income from write-ups	508	97	46	46	30	24
Gains on the disposal of investments	492	398	142	119	159	178
Other income	529	454	–	–	–	–
Total	**3,646**	**3,142**	**1,315**	**1,298**	**399**	**432**

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	Munich Health		Asset management		Total	
€m	Q1–3 2014	Q1–3 2013	Q1–3 2014	Q1–3 2013	Q1–3 2014	Q1–3 2013
Regular income	57	67	10	10	5,429	5,686
Thereof: Interest income	59	61	3	2	4,607	4,835
Income from write-ups	1	11	3	–	1,470	1,232
Gains on the disposal of investments	15	41	2	2	2,752	2,409
Other income	–	–	–	–	529	454
Total	**73**	**119**	**15**	**12**	**10,180**	**9,781**

Investment income by segment (before deduction of technical interest)

	Reinsurance			
	Life		Property-casualty	
€m	Q3 2014	Q3 2013	Q3 2014	Q3 2013
Regular income	213	234	430	428
Thereof: Interest income	180	200	317	324
Income from write-ups	135	83	109	229
Gains on the disposal of investments	101	124	509	592
Other income	–	–	–	–
Total	**449**	**441**	**1,048**	**1,249**

→	Primary insurance					
	Life		Health		Property-casualty	
€m	Q3 2014	Q3 2013	Q3 2014	Q3 2013	Q3 2014	Q3 2013
Regular income	696	721	360	374	69	77
Thereof: Interest income	647	680	329	325	56	60
Income from write-ups	163	24	10	10	11	10
Gains on the disposal of investments	160	84	35	30	32	44
Other income	130	220	–	–	–	–
Total	**1,149**	**1,049**	**405**	**414**	**112**	**131**

→	Munich Health		Asset management		Total	
€m	Q3 2014	Q3 2013	Q3 2014	Q3 2013	Q3 2014	Q3 2013
Regular income	23	23	2	3	1,793	1,860
Thereof: Interest income	20	20	1	1	1,550	1,610
Income from write-ups	1	1	–	–	429	357
Gains on the disposal of investments	2	3	–	1	839	878
Other income	–	–	–	–	130	220
Total	**26**	**27**	**2**	**4**	**3,191**	**3,315**

Investment expenses by segment (before deduction of technical interest)

	Reinsurance			
	Life		Property-casualty	
€m	Q1–3 2014	Q1–3 2013	Q1–3 2014	Q1–3 2013
Write-downs of investments	470	429	911	916
Losses on the disposal of investments	200	228	1,015	1,070
Management expenses, interest charges and other expenses	103	99	151	148
Thereof: Interest charges	1	3	6	14
Total	**773**	**756**	**2,077**	**2,134**

→	Primary insurance					
	Life		Health		Property-casualty	
€m	Q1–3 2014	Q1–3 2013	Q1–3 2014	Q1–3 2013	Q1–3 2014	Q1–3 2013
Write-downs of investments	145	292	64	74	65	49
Losses on the disposal of investments	111	109	129	166	80	60
Management expenses, interest charges and other expenses	251	336	59	57	16	23
Thereof: Interest charges	1	1	2	2	–	–
Total	**507**	**737**	**252**	**297**	**161**	**132**

→	Munich Health		Asset management		Total	
€m	Q1–3 2014	Q1–3 2013	Q1–3 2014	Q1–3 2013	Q1–3 2014	Q1–3 2013
Write-downs of investments	7	2	2	11	1,664	1,773
Losses on the disposal of investments	3	47	–	–	1,538	1,680
Management expenses, interest charges and other expenses	5	3	1	–	586	666
Thereof: Interest charges	–	–	–	–	10	20
Total	**15**	**52**	**3**	**11**	**3,788**	**4,119**

Investment expenses by segment (before deduction of technical interest)

	Reinsurance			
	Life		Property-casualty	
€m	Q3 2014	Q3 2013	Q3 2014	Q3 2013
Write-downs of investments	179	86	390	259
Losses on the disposal of investments	84	73	395	339
Management expenses, interest charges and other expenses	31	25	49	46
Thereof: Interest charges	–	1	2	5
Total	**294**	**184**	**834**	**644**

→	Primary insurance					
	Life		Health		Property-casualty	
€m	Q3 2014	Q3 2013	Q3 2014	Q3 2013	Q3 2014	Q3 2013
Write-downs of investments	33	75	18	16	24	15
Losses on the disposal of investments	37	60	24	68	36	27
Management expenses, interest charges and other expenses	98	46	21	25	5	8
Thereof: Interest charges	–	–	1	–	–	–
Total	**168**	**181**	**63**	**109**	**65**	**50**

→	Munich Health		Asset management		Total	
€m	Q3 2014	Q3 2013	Q3 2014	Q3 2013	Q3 2014	Q3 2013
Write-downs of investments	7	1	1	1	652	453
Losses on the disposal of investments	2	45	–	–	578	612
Management expenses, interest charges and other expenses	2	1	–	–	206	151
Thereof: Interest charges	–	–	–	–	3	6
Total	**11**	**47**	**1**	**1**	**1,436**	**1,216**

Other operating result

	Reinsurance			
	Life		Property-casualty	
€m	Q1–3 2014	Q1–3 2013	Q1–3 2014	Q1–3 2013
Other operating income	87	62	162	158
Other operating expenses	51	52	215	236

→	Primary insurance					
	Life		Health		Property-casualty	
€m	Q1–3 2014	Q1–3 2013	Q1–3 2014	Q1–3 2013	Q1–3 2014	Q1–3 2013
Other operating income	55	86	13	25	129	104
Other operating expenses	48	65	32	26	188	157

→	Munich Health		Asset management		Total	
€m	Q1–3 2014	Q1–3 2013	Q1–3 2014	Q1–3 2013	Q1–3 2014	Q1–3 2013
Other operating income	41	45	42	38	529	518
Other operating expenses	48	66	16	26	598	628

Other operating result

	Reinsurance			
	Life		Property-casualty	
€m	Q3 2014	Q3 2013	Q3 2014	Q3 2013
Other operating income	30	22	55	58
Other operating expenses	18	19	79	91

→	Primary insurance					
	Life		Health		Property-casualty	
€m	Q3 2014	Q3 2013	Q3 2014	Q3 2013	Q3 2014	Q3 2013
Other operating income	14	22	3	6	39	28
Other operating expenses	15	19	8	1	52	48

→	Munich Health		Asset management		Total	
€m	Q3 2014	Q3 2013	Q3 2014	Q3 2013	Q3 2014	Q3 2013
Other operating income	14	16	15	13	170	165
Other operating expenses	19	25	6	8	197	211

Other operating income mainly comprises income of €346m (343m) from services rendered, interest and similar income of €83m (69m), income of €44m (65m) from the release/reduction of miscellaneous provisions and provisions for bad and doubtful debts, and income of €23m (24m) from owner-occupied property, some of which is also leased out.

In addition to expenses of €254m (263m) for services rendered, other operating expenses chiefly include interest charges and similar expenses of €89m (120m), other write-downs of €24m (24m), and other tax of €73m (50m). They also contain expenses of €12m (10m) for owner-occupied property, some of which is also leased out.

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

	Reinsurance			
	Life		Property-casualty	
€m	Q1–3 2014	Q1–3 2013	Q1–3 2014	Q1–3 2013
Other non-operating income	370	447	812	896
Other non-operating expenses	424	483	1,040	1,146
Impairment losses of goodwill	–	–	–	–
Net finance costs	–27	–47	–88	–95

→	Primary insurance					
	Life		Health		Property-casualty	
€m	Q1–3 2014	Q1–3 2013	Q1–3 2014	Q1–3 2013	Q1–3 2014	Q1–3 2013
Other non-operating income	128	112	278	373	208	179
Other non-operating expenses	175	126	325	420	294	260
Impairment losses of goodwill	–	–	–	–	–	–
Net finance costs	35	29	4	3	–90	–86

→	Munich Health		Asset management		Total	
€m	Q1–3 2014	Q1–3 2013	Q1–3 2014	Q1–3 2013	Q1–3 2014	Q1–3 2013
Other non-operating income	12	15	6	3	1,814	2,025
Other non-operating expenses	16	22	6	5	2,280	2,462
Impairment losses of goodwill	–	–	–	–	–	–
Net finance costs	–1	–3	–3	–3	–170	–202

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

	Reinsurance			
	Life		Property-casualty	
€m	Q3 2014	Q3 2013	Q3 2014	Q3 2013
Other non-operating income	121	81	259	130
Other non-operating expenses	121	154	330	388
Impairment losses of goodwill	–	–	–	–
Net finance costs	-9	-13	-28	-24

→

	Primary insurance					
	Life		Health		Property-casualty	
€m	Q3 2014	Q3 2013	Q3 2014	Q3 2013	Q3 2014	Q3 2013
Other non-operating income	61	31	118	106	90	62
Other non-operating expenses	83	44	131	123	110	102
Impairment losses of goodwill	–	–	–	–	–	–
Net finance costs	12	8	1	1	-31	-29

→

	Munich Health		Asset management		Total	
€m	Q3 2014	Q3 2013	Q3 2014	Q3 2013	Q3 2014	Q3 2013
Other non-operating income	3	3	4	1	656	414
Other non-operating expenses	5	9	2	2	782	822
Impairment losses of goodwill	–	–	–	–	–	–
Net finance costs	–	-1	-1	-1	-56	-59

The other non-operating income and expenses are unrelated to the conclusion, administration or settlement of insurance contracts or the administration of investments.

The other non-operating income essentially comprises foreign currency exchange gains of €1,720m (1,894m) and other non-technical income of €89m (131m).

Besides foreign-currency exchange losses of €2,012m (2,169m), the other non-operating expenses comprise write-downs of €49m (63m) on other intangible assets, and other non-technical expenses of €219m (230m), such as restructuring expenses.

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

In the third quarter of 2014 ERGO Versicherungsgruppe AG, via its subsidiary Victoria Lebensversicherung Aktiengesellschaft, Düsseldorf, sold its shares in its associates TERTIANUM Besitzgesellschaft Berlin Passauer Strasse 5–7 mbH, Munich, TERTIANUM Besitzgesellschaft Konstanz Marktstätte 2–6 und Sigismundstrasse 5–9 mbH, Munich, TERTIANUM Besitzgesellschaft München Jahnstrasse 45 mbH, Munich, TERTIANUM Seniorenresidenz Betriebsgesellschaft München mbH, Munich, and TERTIANUM Seniorenresidenzen Betriebsgesellschaft mbH, Constance.

The sale price for all five companies totalled €27m. The sale affected our operating result to the amount of €1m.

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 2014 totalled 22,021 (23,131) in Germany and 21,794 (21,534) in other countries.

Number of staff

	30.9.2014	31.12.2013
Reinsurance	11,386	11,315
Primary insurance	28,609	29,595
Munich Health	2,960	2,913
Asset management	860	842
Total	**43,815**	**44,665**

Contingent liabilities, other financial commitments

In comparison with the situation at 31 December 2013, financial commitments of significance for the assessment of the Group's financial position show a change essentially due to an increase of €265m in loan commitments.

Earnings per share

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

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

Earnings per share[1]

		Q1–3 2014	Q3 2014	Q1–3 2013	Q3 2013
Consolidated result attributable to Munich Reinsurance Company equity holders	€m	2,430	735	2,119	631
Weighted average number of outstanding shares		173,142,299	171,198,829	179,189,594	179,299,714
Earnings per share	€	14,03	4,29	11,82	3,52

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

Events after the balance sheet date

There were no significant events after the balance sheet date.

Drawn up and released for publication, Munich,
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The Board of Management

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Important dates 2015

11 March 2015
Balance sheet press conference
for 2014 consolidated financial statements

23 April 2015
Annual General Meeting

7 May 2015
Interim report as at 31 March 2015

6 August 2015
Interim report as at 30 June 2015

6 August 2015
Half-year press conference

5 November 2015
Interim report as at 30 September 2015

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