Quarterly Report
Munich Re

3/2018

WE DRIVE BUSINESS AS ONE

Munich RE

Key figures (IFRS)

Munich Re at a glance

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

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

Reinsurance

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

ERGO

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

Contents

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Interim management report

Business environment

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

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

Yields on ten-year government bonds

%	30.9.2018	31.12.2017
USA	3.1	2.4
Germany	0.5	0.4

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

Equity markets

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

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

Currency translation rates

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

Business performance of the Group and overview of investment performance

Key figures[1]

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

1 Previous year's figures adjusted owing to IAS 8.
2 RORAC is a mixture of accounting ratios and economic indicators. A conversion to IFRS figures is therefore not possible. Further information on RORAC is provided on page 51 of our Annual Report 2017.
3 The RoE is calculated on the basis of the consolidated result, including the result attributable to non-controlling interests. To calculate average equity capital for the first nine months of 2018, we take the values as at 31 December 2017 (€28.2bn), 31 March 2018 (€27.2bn), 30 June 2018 (€26.9bn) and 30 September 2018 (€27.1bn).

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

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

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

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

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

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

Investment mix

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

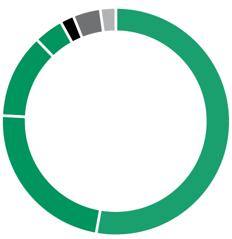
1 Including on- and off-balance-sheet unrealised gains and losses.

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

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

Fixed-interest portfolio by economic category[1]

Total: €196bn (199bn)



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

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

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

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

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

Investment result[1]

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

1 The investment result by type of investment can be found on page 41 of the notes to the consolidated financial statements.
2 Annualised return in % p.a. on the average fair value of the investment portfolio at the quarterly reporting dates. The investment portfolio used to determine the annualised return (2.8%) for the first nine months is calculated as the mean value of the investment portfolios (carrying amounts) as at 31 December 2017 (€217,562m), 31 March 2018 (€216,201m), 30 June 2018 (€217,546m) and 30 September 2018 (€216,950m), and the off-balance-sheet unrealised gains and losses (excluding owner-occupied property and insurance-based loans) as at 31 December 2017 (€14,323m), 31 March 2018 (€13,580m), 30 June 2018 (€13,604m) and 30 September 2018 (€14,321m).

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

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

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

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

Business performance of the individual segments

Reinsurance – Life and health

Key figures

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

Premium

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

Result

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

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

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

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

Reinsurance – Property-casualty

Key figures

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

Premium

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

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

Result

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

The third quarter of the previous year had been marked by dramatic claims expenditure for hurricanes Harvey, Irma and Maria in the USA and Caribbean. In the first three quarters of 2018, in particular in Q2 and Q3, we were also significantly impacted by large losses, although these were within normal bounds at €1,267m (3,821m) before retrocession and tax for the first nine months, and €599m (3,165m) for Q3. These amounts include run-off profits and losses for major claims from previous years, and are equivalent to 9.3% of net earned premium for the first nine months and 12.5% for Q3. Our expenditure in Q3 was slightly above the average volume of major claims to be expected, i.e. 12% of net earned premiums.

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

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

In addition to the comprehensive reassessment of provisions for basic losses that we carry out primarily towards the end of the year, we also perform detailed analyses of the claims notifications we receive every quarter. As claims notifications remained well below the expected level, we released reserves in the third quarter. After adjustments for commissions, these reserve releases amounted to around €190m, which is equivalent to 4.0 percentage points of net earned premiums. We still aim to set the amount of provisions for newly emerging claims at the top end of the estimation range, so that profits from the release of a portion of these reserves are possible at a later stage.

The combined ratio amounted to 97.3% (117.3%) of net earned premiums for the first nine months, and 100.7% (160.9%) for Q3.

As a result of higher impairments on our equity portfolio and on our portfolio of physical gold – where we had posted reversals just the previous year – the investment result for the first nine months diminished. Furthermore, in Q3 we performed a write-down of €56m on a wind farm in Texas, which is valued using the equity method. For these reasons, the investment result for Q3 totalled €405m and was also below the level in the same period last year.

ERGO Life and Health Germany

Key figures

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

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

Premium

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

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

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

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

Result

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

In private health insurance, there are a number of ongoing legal disputes (some are already being appealed) that concern premium adjustments in recent years. Though we are convinced that these premium adjustments are lawful, we nonetheless wish to take certain precautions in light of the increased number of lawsuits and have therefore set aside a small provision for these disputes.

ERGO Property-casualty Germany

Key figures

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

Premium

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

Result

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

ERGO International

Key figures

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

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

Premium

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

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

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

Result

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

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

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

Prospects

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

Outlook Munich Re (Group) 2018

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

1 Including the result from business with non-significant risk transfer.
2 Excluding insurance-related investments.

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

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

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

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

In the reinsurance treaty renewals in 2018, prices increased in the markets affected by natural catastrophes. In the other markets and classes of business, prices remained stable or developed slightly positively. Despite high losses from natural catastrophes in the previous year, the availability of reinsurance capital remained high in the 2018 renewals. Prices increased by around 0.8% (previous year: –0.5%) in the 2018 renewals. The profitability of our business was additionally reinforced by higher interest rates compared with the previous year. In the renewals between January and July, premium volume was up by around 22% (€2.7bn). This significant increase is largely attributable to profitable growth of reinsurance quota share business in the USA and an attractive large-volume treaty in Australia.

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

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

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

Condensed interim consolidated financial statements

Consolidated balance sheet
as at 30 September 2018

Assets

			30.9.2018	31.12.2017		Change
	€m	€m	€m	€m	€m	%
A. Intangible assets						
I. Goodwill		2,675		2,584	91	3.5
II. Other intangible assets		1,097		1,105	-9	-0.8
			3,771	**3,689**	**82**	**2.2**
B. Investments						
I. Land and buildings, including buildings on third-party land		5,658		5,121	537	10.5
II. Investments in affiliated companies, associates and joint ventures		2,409		2,216	193	8.7
Thereof: Associates and joint ventures accounted for using the equity method		2,220		2,010	209	10.4
III. Loans		54,678		54,702	-23	0.0
IV. Other securities						
1. Available for sale	142,207			143,845	-1,638	-1.1
2. At fair value through profit or loss	2,263			1,979	284	14.3
		144,470		145,824	-1,354	-0.9
V. Deposits retained on assumed reinsurance		5,812		5,690	122	2.1
VI. Other investments		3,922		4,009	-87	-2.2
			216,950	**217,562**	**-612**	**-0.3**
C. Insurance-related investments			**9,339**	**9,664**	**-325**	**-3.4**
D. Ceded share of technical provisions			**4,175**	**4,169**	**6**	**0.1**
E. Receivables						
I. Current tax receivables		491		440	51	11.6
II. Other receivables		16,814		13,385	3,429	25.6
			17,305	**13,825**	**3,480**	**25.2**
F. Cash at banks, cheques and cash in hand			**3,754**	**3,625**	**128**	**3.5**
G. Deferred acquisition costs						
Gross		9,726		9,563	163	1.7
Ceded share		-222		-135	-87	-64.6
Net			9,504	9,428	75	0.8
H. Deferred tax assets			**683**	**534**	**149**	**27.8**
I. Other assets			**2,962**	**3,107**	**-145**	**-4.7**
J. Assets held for sale			**908**	**118**	**790**	**671.1**
Total assets			**269,352**	**265,722**	**3,630**	**1.4**

Equity and liabilities

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

Consolidated income statement[1]

1 January to 30 September 2018

Items

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

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

Consolidated income statement
1 July to 30 September 2018

Items

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

Consolidated income statement
(quarterly breakdown)

Items

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

Statement of recognised income and expense

1 January to 30 September 2018

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

Statement of recognised income and expense

1 July to 30 September 2018

€m		Q3 2018	Q3 2017
Consolidated result		**483**	**-1,436**
Currency translation			
Gains (losses) recognised in equity	29		-501
Recognised in the consolidated income statement	0		0
Unrealised gains and losses on investments			
Gains (losses) recognised in equity	-176		7
Recognised in the consolidated income statement	8		-101
Change resulting from equity method measurement			
Gains (losses) recognised in equity	6		-17
Recognised in the consolidated income statement	0		0
Change resulting from cash flow hedges			
Gains (losses) recognised in equity	0		0
Recognised in the consolidated income statement	0		0
Other changes	0		2
I. Items where income and expenses recognised directly in equity are reallocated to the consolidated income statement	-134		-611
Remeasurements of defined benefit plans	69		-43
Other changes	0		0
II. Items where income and expenses recognised directly in equity are not reallocated to the consolidated income statement	69		-43
Income and expense recognised directly in equity (I + II)		**-64**	**-653**
Total recognised income and expense		**418**	**-2,090**
Thereof:			
Attributable to Munich Reinsurance Company equity holders		444	-2,091
Attributable to non-controlling interests		-26	2

Group statement of changes in equity

€m	Issued capital	Capital reserve
Balance at 31.12.2016	**573**	**6,845**
Allocation to retained earnings	0	0
Consolidated result	0	0
Income and expense recognised directly in equity	0	0
Currency translation	0	0
Unrealised gains and losses on investments	0	0
Change resulting from equity measurement method	0	0
Change resulting from cash flow hedges	0	0
Remeasurements of defined benefit plans	0	0
Other changes	0	0
Total recognised income and expense	0	0
Change in shareholdings in subsidiaries	0	0
Change in consolidated group	0	0
Dividend	0	0
Purchase/sale of own shares	–16	0
Retirement of own shares	22	0
Balance at 30.9.2017	**579**	**6,845**
Balance at 31.12.2017	**573**	**6,845**
Allocation to retained earnings	0	0
Consolidated result	0	0
Income and expense recognised directly in equity	0	0
Currency translation	0	0
Unrealised gains and losses on investments	0	0
Change resulting from equity measurement method	0	0
Change resulting from cash flow hedges	0	0
Remeasurements of defined benefit plans	0	0
Other changes	0	0
Total recognised income and expense	0	0
Change in shareholdings in subsidiaries	0	0
Change in consolidated group	0	0
Dividend	0	0
Purchase/sale of own shares	–13	0
Retirement of own shares	21	0
Balance at 30.9.2018	**581**	**6,845**

Equity attributable to Munich Reinsurance Company equity holders						Non-controlling interests	Total equity
Retained earnings		Other reserves			Consolidated result		
Retained earnings before deduction of own shares	Treasury shares	Unrealised gains and losses	Currency translation reserve	Remeasurement gains/losses from cash flow hedges			
15,544	**–654**	**4,441**	**2,195**	**–8**	**2,580**	**269**	**31,785**
1,247	0	0	0	0	–1,247	0	0
0	0	0	0	0	–155	9	–146
–71	0	–66	–1,565	15	0	–3	–1,690
0	0	0	–1,565	0	0	–5	–1,570
0	0	–91	0	0	0	–1	–92
–39	0	25	0	15	0	0	1
0	0	0	0	–1	0	0	–1
–35	0	0	0	0	0	0	–35
3	0	0	0	0	0	3	6
–71	0	–66	–1,565	15	–155	6	–1,836
–11	0	0	0	0	0	–87	–98
0	0	0	0	0	0	0	0
0	0	0	0	0	–1,333	–4	–1,337
0	–727	0	0	0	0	0	–743
–1,002	980	0	0	0	0	0	0
15,707	**–401**	**4,375**	**631**	**6**	**–155**	**184**	**27,770**
15,703	**–668**	**4,811**	**365**	**7**	**375**	**186**	**28,198**
–911	0	0	0	0	911	0	0
0	0	0	0	0	2,054	–17	2,038
86	0	–1,526	225	7	0	–7	–1,215
0	0	0	225	0	0	0	225
0	0	–1,527	0	0	0	–7	–1,535
9	0	1	0	7	0	0	17
0	0	0	0	0	0	0	0
78	0	0	0	0	0	1	78
–1	0	0	0	0	0	0	–1
86	0	–1,526	225	7	2,054	–23	823
0	0	0	0	0	0	0	–1
0	0	0	0	0	0	0	0
0	0	0	0	0	–1,286	–1	–1,287
0	–604	0	0	0	0	0	–617
–1,000	979	0	0	0	0	0	0
13,879	**–293**	**3,285**	**590**	**14**	**2,054**	**162**	**27,117**

Condensed consolidated cash flow statement

1 January to 30 September 2018

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

1 Cash mainly comprises cash at banks.

Selected notes to the consolidated financial statements

Recognition and measurement

We prepared this quarterly report as at 30 September 2018 has been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The condensed interim consolidated financial statements are prepared in accordance with IAS 34, Interim Financial Reporting. We have complied with all new and amended IFRSs and IFRIC interpretations whose application is mandatory for Munich Re for the first time for periods beginning on 1 January 2018. For existing or unchanged IFRSs, the same principles of recognition, measurement, consolidation and disclosure have been applied as in our consolidated financial statements as at 31 December 2017 with the exception of the changes mentioned below. In accordance with the provisions of IFRS 4, underwriting items are recognised and measured on the basis of US GAAP (United States Generally Accepted Accounting Principles) at first-time adoption of IFRS 4 on 1 January 2005.

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

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

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

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

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

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

Changes in the consolidated group

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

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

Fair values of the assets and liabilities at the acquisition date

€m	
Purchase price	**106**
Assets acquired	**134**
Intangible assets	23
Other investments	97
Receivables[1]	9
Cash at bank, cheques and cash in hand	0
Deferred tax assets	4
Other assets	0
Liabilities assumed	**34**
Other liabilities	29
Deferred tax liabilities	5
Contingent liabilities recognised pursuant to IFRS 3.23	0

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

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

Foreign currency translation

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

Segment reporting

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

We have identified five reportable segments:

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

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

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

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

Segment assets

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

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

Segment equity and liabilities

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

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

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

Segment income statement 1.1.–30.9.2018

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

Segment income statement 1.7.–30.9.2018

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

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

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

Notes on determining the combined ratio[1]

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

1 Information on the combined ratio is provided in the 2017 Annual Report under "Important tools of corporate management".
2 Excluding life insurance business and health insurance conducted like life insurance.
3 Adjustment only for ERGO Property-casualty Germany and Property-casualty International.

Non-current assets by country[1]

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

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

Investments in non-current assets per segment[1]

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

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

Other segment disclosures

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

Gross premiums written

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

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

Notes to the consolidated balance sheet

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

Intangible assets

Development of intangible assets

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

Investments

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

Regularly, at each reporting date, we assess whether the allocation of our investments to the levels of the valuation hierarchy is still appropriate.

If changes in the basis of valuation have occurred – for instance, if a market is no longer active or the valuation was performed using inputs requiring another allocation – we make the necessary adjustments.

The following table provides an overview of the models used to measure the fair values of our assets when market prices are not available.

Valuation techniques for assets

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

Bonds with embedded derivatives	Pricing method	Parameters	Pricing model
Callable bonds	Theoretical price	Money-market/swap interest-rate curve Issuer-specific spreads Volatility matrix	Hull-White model
CMS floaters	Theoretical price	Money-market/swap interest-rate curve Issuer-specific spreads Volatility matrix	Hull-White model
Zero-to-coupon switchable bonds	Theoretical price	Money-market/swap interest-rate curve Issuer-specific spreads Volatility matrix	Hull-White model
CMS floaters with variable cap	Theoretical price	OIS/swap interest-rate curve Issuer-specific spreads Volatility skew	Replication model (Hagan)
Inverse CMS floaters	Theoretical price	OIS/swap interest-rate curve Issuer-specific spreads Volatility skew	Replication model (Hagan)
CMS steepeners	Theoretical price	OIS/swap interest-rate curve Issuer-specific spreads Volatility skew Correlation matrix	Replication model (Hagan) Stochastic volatility model
Convergence bonds	Theoretical price	Money-market/swap interest-rate curves Issuer-specific spreads Volatility matrix Correlation matrix	Replication model (Hagan) Stochastic volatility model
Multi-tranches	Theoretical price	At-the-money volatility matrix and skew Swap curve Money-market interest-rate curve Sector-, rating- or issuer-specific yield curve	Bachelier/ Normal Black, Present-value method
FIS loans against borrower's note	Theoretical price	At-the-money volatility matrix and skew Swap curve Money-market interest-rate curve Sector-, rating- or issuer-specific yield curve	Bachelier/ Normal Black, Present-value method
Swaption notes	Theoretical price	At-the-money volatility matrix and skew Swap curve Money-market interest-rate curve Sector-, rating- or issuer-specific yield curve	Bachelier/ Normal Black, Present-value method

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

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

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

The inputs requiring consideration in measuring variable annuities are derived either directly from market data, in particular volatilities, interest-rate curves and currency spot rates, or from actuarial data, especially biometric and lapse rates. The lapse rates used are modelled dynamically and usually range between 0.5% and 50%, depending on the specific insurance product and current situation of the capital markets. Compared with the market risk inputs relevant for calculating fair values, the effects of an increase or decrease in lapse rates on the fair value would be immaterial. The assumptions with regard to mortality are based on published mortality tables, which are adjusted with a view to the target markets and the actuaries' expectations. The impact of these and other non-observable assumptions is not material. The dependency between different capital market parameters is modelled by correlation matrices. We allocate these products to Level 3 of the fair value hierarchy.

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

At 30 September 2018, around 13% of the investments measured at fair value were allocated to Level 1 of the fair value hierarchy, 82% to Level 2 and 5% to Level 3.

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

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

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

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

1 Including hedging derivatives of €20m (27m) accounted for under "other assets".

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

Reconciliation for investments allocated to Level 3

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

Continued on next page

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

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

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

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

Equity

Number of shares in circulation and number of treasury shares

	30.9.2018	31.12.2017
Number of shares in circulation	147,898,416	151,259,431
Number of treasury shares	1,640,061	3,768,477
Total	**149,538,477**	**155,027,908**

Subordinated liabilities

Breakdown of subordinated liabilities

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

1 In the second quarter of 2018, the issuer redeemed the whole bond.

The fair value of the subordinated liabilities at the balance sheet date amounted to €2,838m (3,309m). For the Munich Reinsurance Company bonds, we take the stock market prices as fair values. For the other subordinated liabilities, we determine the fair values using present value methods with observable market inputs.

Liabilities

Breakdown of bonds and notes issued

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

We use the prices provided by price quoters to determine the fair value of the notes issued. The fair value at the reporting date amounts to €348m (354m).

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

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

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

Only derivatives with a negative fair value are currently recognised at fair value. Of these, we allocate the insurance derivatives to Level 3 of the fair value hierarchy. As regards the valuation models used, please refer to the notes on investments.

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

Reconciliation for liabilities allocated to Level 3

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

Notes to the consolidated income statement

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

Premiums

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

Expenses for claims and benefits

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

Operating expenses

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

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

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

Result from insurance-related investments

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

Other operating result

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

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

In addition to expenses of €313m (305m) for services rendered, other operating expenses chiefly include interest charges of €59m (65m) and other tax of €85m (106m). They also contain expenses of €10m (9m) for owner-occupied property, some of which is also leased out.

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

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

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

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

Other information

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

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

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

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

Non-current assets and disposal groups held for sale

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

Related parties

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

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

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

Number of staff

The number of staff employed by the Group as at 30 September 2018 totalled 19,188 (19,960) in Germany and 22,971 (22,450) in other countries.

Breakdown of number of staff

	30.9.2018	31.12.2017
Reinsurance	12,164	12,117
ERGO	29,995	30,293
Total	**42,159**	**42,410**

Contingent liabilities, other financial commitments

In comparison with the situation at 31 December 2017, contingent liabilities and other financial commitments of significance for the assessment of the Group's financial position have not changed materially.

Earnings per share

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

Earnings per share

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

Events after the balance sheet date

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

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

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

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

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

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

Fair values of the assets and liabilities at the acquisition date

€m	
Purchase price	**235**
Assets acquired	**15**
Intangible assets	1
Receivables[1]	1
Cash at bank, cheques and cash in hand	12
Other assets	1
Liabilities assumed	**4**
Other provisions and liabilities	4

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

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

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

The Board of Management

Review report

We have reviewed the condensed interim consolidated financial statements – comprising the consolidated balance sheet, the consolidated income statement, the statement of recognised income and expense, the Group statement of changes in equity, the condensed consolidated cash flow statement and the selected notes – together with the interim Group management report of Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München, for the period from 1 January to 30 September 2018, that are part of the quarterly financial report according to Section 115 of the German Securities Trading Act (WpHG). The preparation of the condensed interim consolidated financial statements in accordance with International Accounting Standard IAS 34, Interim financial reporting, as adopted by the EU, and IAS 34, Interim financial reporting, as issued by the International Accounting Standards Board (IASB), and of the interim Group management report in accordance with the requirements of the Securities Trading Act applicable to interim group management reports, is the responsibility of the parent company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and the interim Group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim Group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material aspects, in accordance with IAS 34, Interim financial reporting, as adopted by the EU, and IAS 34, Interim financial reporting, as issued by the International Accounting Standards Board (IASB), and that the interim Group management report has not been prepared, in material aspects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with IAS 34, Interim financial reporting, as adopted by the EU, and IAS 34, Interim financial reporting, as issued by the International Accounting Standards Board (IASB), or that the interim Group management report has not been prepared, in material aspects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Munich, 7 November 2018

KPMG Bayerische Treuhandgesellschaft
Aktiengesellschaft Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Dr. Ellenbürger
Wirtschaftsprüfer
(German Public Auditor)

Voß
Wirtschaftsprüferin
(German Public Auditor)

Responsibility statement

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

Munich, 6 November 2018

Supervisory Board

Board of Management

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Important dates 2019

20 March 2019
Balance sheet press conference
for 2018 financial statements

30 April 2019
Annual General Meeting

8 May 2019
Quarterly Statement as at 31 March 2019

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

7 November 2019
Quarterly Statement as at 30 September 2019

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