Quarterly Report 1/2015
Munich Re

1/2015

WE DRIVE INNOVATION AS ONE

Supervisory Board

Dr. Bernd Pischetsrieder
(Chairman)

Board of Management

Dr. Nikolaus von Bomhard
(Chairman)
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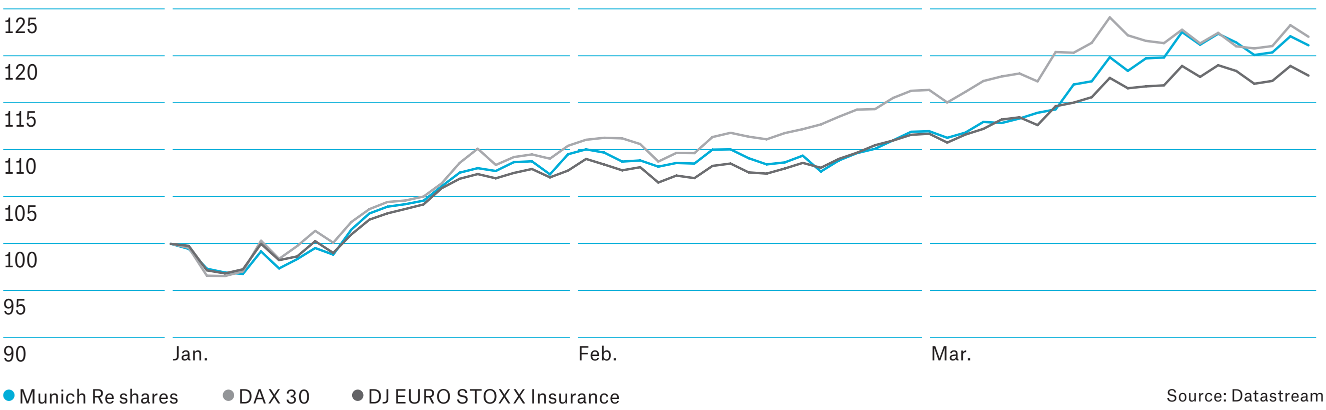
Dr. Ludger Arnoldussen
Dr. Thomas Blunck
Dr. Doris Höpke
Dr. Torsten Jeworrek
Dr. Peter Röder
Dr. Jörg Schneider
Dr. Joachim Wenning

Share price performance 1.1.2015 = 100



Source: Datastream

Key figures (IFRS)[1]

Munich Re at a glance

		Q1 2015	Q1 2014	Change
				%
Consolidated result	€m	790	941	-16.0
Thereof attributable to non-controlling interests	€m	–	5	-100.0
Earnings per share	€	4.71	5.33	-11.6
Return on risk-adjusted capital (RORAC)	%	11.7	15.7	
Return on investment (RoI)	%	3.0	3.7	
Return on equity (RoE)	%	9.7	14.1	
		31.3.2015	31.12.2014	Change
				%
Book value per share	€	206.47	178.13	15.9
Munich Reinsurance Company's market capitalisation	€bn	34.7	28.7	21.1
Share price	€	200.75	165.75	21.1

		31.3.2015	31.12.2014	Change
				%
Equity	€m	34,753	30,289	14.7
Investments	€m	231,057	218,927	5.5
Insurance-related investments	€m	9,469	8,461	11.9
Net technical provisions	€m	207,471	198,384	4.6
Balance sheet total	€m	289,693	272,984	6.1
Number of staff		42,827	43,316	-1.1

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

Contents

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

To our shareholders

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

Dear Shareholders,

The word "creditor" is derived from the Latin word "credere", meaning "to believe" or "to trust". The word implies that creditors thus believe, or trust, that their debtors will repay their debts as agreed. The particular significance of the element of trust in a credit transaction is thus intimated by the etymology of the term itself. After all, the relationship between a creditor and debtor is not only legal in nature, above all it is grounded in trust.

Insurers are major investors. In this function, Munich Re is a creditor to many states and corporations, for instance when we invest in government bonds or corporate bonds. Before we decide to invest, we carry out a thorough check to determine which state or corporation we can entrust with our clients' and shareholders' money. As a rule, we make our assets available to debtors over a very long timescale. Therefore, our confidence in our debtors' ability and willingness to repay their debts is of utmost importance to us at Munich Re.

In recent years, however, there has been a trend towards favouring debtors over creditors – just think of the central banks' interest-rate policies. Particularly worrisome are cases where public debtors retroactively amend the terms and conditions to their own advantage, thereby worsening their creditors' legal position.

The latest and most prominent example of this is the dispute over guarantees assumed by the Austrian province of Carinthia for the debt securities of Heta (formerly Hypo Alpe Adria). It is important to stress that the point at issue here is not a matter of expecting the state to bail out an ailing bank. Creditors must bear the consequences for any bad investments they have made. And governments should, as a matter of principle, refrain from providing guarantees for the banking sector. However, it is quite another matter if existing guarantees are subsequently not honoured. The Austrian province of Carinthia had issued effective guarantees for a large share of Heta's debt – at the time in favour of Carinthia's Landesbank. This pledge is now not being upheld.

After Greece legally engineered a restructuring of its debt in 2012, the case of Carinthia is threatening to trigger a further erosion in public debt ethics. The hope is that Austria will not let it come to that. The matter of the subordinated bonds is already before the courts. If this is to be an example, the citizens in far less solvent regions will begin to ask their politicians why their own debt is still being serviced. Undermining the creditors' legal position will only grant short-term relief to debtors – provided this type of procedure stands up to scrutiny in court in the first place. In the medium and long term, the disadvantages from a loss of trust will outweigh any alleged benefits the debtors may perceive. After all, the most important capital that the financial markets have is – and always will be – trust, especially between creditors and debtors.

The great expectations associated with the heralded private investments in public infrastructure projects are likely to be dashed if confidence in the reliability of government action is dented. Insurance companies – with the funds they have been entrusted with by their customers and shareholders – are ideal investors for projects requiring commitments over many decades. For long-term projects of this kind, stable terms and conditions are thus indispensable if insurers are to commit themselves financially. Retroactive adjustments to conditions like the ones that have regrettably been made in several southern European countries – for example, in the case of renewable energy projects – may jeopardise the funding of long-term projects in general. Munich Re is prepared to invest up to €8bn in infrastructure in the coming years. However, this will depend on the suitability of the projects and the reliability of the terms and conditions involved.

I think it is important to draw attention to these developments and their consequences, as the examples I have mentioned are indicative of a questionable trend, particularly in times of tight state budgets. Legal certainty is being undermined, and the protection of vested rights and trust is being called into question. As a long-term investor, we regard the situation with a fair amount of concern.

We have around €240bn invested in the capital markets via our asset-management subsidiary MEAG. A large share of this money belongs to our primary insurance customers, who have taken out insurance to secure their income when they retire or to protect themselves financially against high costs of illness or long-term care. They are the ones who will bear the brunt of a subsequent and retroactive disadvantaging of creditors – not some anonymous financial speculators.

Our investment experts at MEAG have tightened the criteria for evaluating individual debtors' creditworthiness in order to make an even better assessment of those to whom we can entrust our assets. Thanks to our conservative and prudent investment policy, and our broad diversification, our investments have performed well overall and have once again gained in value. Nevertheless, we had to post a write-down of €104m gross (around €30m net) on our investments in Heta in the first quarter. Of course, we are looking into the option of filing legal action, taking due consideration of the associated costs.

On balance, Munich Re can look back on a very successful first quarter. We earned €790m in the first three months – a result that is an important step towards achieving our profit guidance of €2.5–3bn for the year as a whole. Thus, 2015 has got off to a good start.

Finally, I would like to inform you about planned changes at the helm of ERGO's Board of Management and on Munich Re's Board of Management. At the end of the year, Torsten Oletzky is stepping down from ERGO's Board of Management for personal reasons and by amicable agreement. He leaves an enduring legacy as Chairman of ERGO's Board. Combining the operations of once autonomous companies under the ERGO brand has already proved to be a lasting success. Subject to approval by the Supervisory Boards of both ERGO and Munich Re, Markus Rieß is to succeed Torsten Oletzky as Chairman of ERGO's Board of Management with effect from 1 October 2015. His appointment to Munich Re's Board of Management is planned for the same date. The time has come to reflect the integration of Munich Re's various business fields by establishing ERGO's presence on its parent company's Board of Management. Markus Rieß, who has impressively demonstrated his managerial capabilities at the helm of Germany's market leader, will be a worthy successor as Chairman of ERGO's Board of Management.

Yours sincerely,

Nikolaus von Bomhard

Interim management report

Business environment

- Global growth levels out
- ECB begins to buy government bonds
- Long-term interest rates in the eurozone fall to record low
- Euro suffers considerable loss in value

Global economic growth was relatively weak in the first quarter of 2015. After a lean spell, the economy began to pick up once again in the eurozone, supported in part by a German economy that was experiencing strong growth. Japan also continued to pull out of recession. But growth in the USA weakened significantly, and developments in some of the large emerging markets made global growth sluggish. China's economy also slowed, Brazil slipped into a recession, and the economic slump began to bite in Russia.

The European Central Bank (ECB) extended its bond-buying programme and began to purchase government bonds. The yields of many European government bonds fell to record lows in the first quarter, notwithstanding the worsening sovereign debt crisis in Greece. By way of example, yields for ten-year Italian, Spanish and Portuguese government bonds dropped to well below 2%. At the end of the quarter, yields for German Bunds stood at 0.2%, as compared with 0.5% at the end of 2014. By contrast, long-term interest rates in the USA were somewhat higher – but also fell back during the course of the quarter. At the end of March, yields on ten-year US government bonds stood at 1.9% (end of 2014: 2.2%). The decline in interest rates positively affected the market value of fixed-income bonds, but had a substantial negative impact on insurers because of deteriorating terms for new investments and reinvestments. Regular interest income saw a further slight decrease, because yields on new fixed-interest securities with high ratings are far lower than the average return on the securities maturing or sold. Life insurers, which have to meet interest-rate guarantees, are particularly affected.

We write a large portion of our business outside the eurozone. Therefore, appreciation of the euro has an adverse effect on premium income development posted in euros, while depreciation increases it. Compared with the first quarter of 2014, the euro exchange rate in the period under review was down on average against the US dollar (–18%), the pound sterling (–10%), the Japanese yen (–5%) and the Canadian dollar (–8%). The values shown for premium income development and income and expenses in foreign currencies have seen strong upwards distortion due to currency effects in year-on-year comparison. The value shown for investments, which is translated at period-end exchange rates, also increased substantially in the reporting period owing to currency effects: on 31 March 2015, the euro exchange rate of US$ 1.07 was 11% lower than at the end of 2014. The euro had lost 7% against the pound sterling, 11% against the Japanese yen, and 3% against the Canadian dollar.

Business performance

Overview

Key figures[1]

	Q1 2015	Q1 2014	Change
	€m	€m	%
Gross premiums written	13,038	12,924	0.9
Technical result	912	1,217	-25.1
Investment result	1,820	1,992	-8.6
Insurance-related investment result	579	78	642.3
Operating result	995	1,327	-25.0
Taxes on income	-151	-215	29.8
Consolidated result	790	941	-16.0
Thereof: Attributable to non-controlling interests	–	5	-100.0
	31.3.2015	31.12.2014	Change
	€bn	€bn	%
Equity	34.8	30.3	14.7

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

The performance of Munich Re (Group) in the first three months of 2015 was gratifying. Overall, our result and the positive development of our Group's equity capital reflect our forward-looking risk management, prudent investment policy and profit-oriented underwriting approach, as well as benefiting from random effects in the form of a low impact from major losses. This can also be seen in our good technical result.

The annualised return on risk-adjusted capital (RORAC) for the first three months of the year amounted to 11.7% (15.7%), and the return on equity (RoE) to 9.7% (14.1%).

Premium income increased year on year due to currency translation effects. To maintain the quality of our portfolio in a highly competitive environment, we refrained from renewing some existing reinsurance treaties. If exchange rates had remained unchanged, premium income would have declined by 5.4%.

Our investment result for the first quarter was down on the figure for the same period last year, underpinned by continuing high regular interest income and gains on disposals, particularly of equities and fixed-interest securities. In particular, we posted losses on our equity and commodity derivatives in reinsurance. The consolidated result was affected by around €30m in write-downs of bonds issued by Heta Asset Resolution AG (Heta), Klagenfurt, Austria, with the ERGO Property-casualty Germany segment sustaining the greatest impact (€16m).

Overall, the consolidated result benefited from the weaker euro. The valuation of balance-sheet items in foreign currencies led to a positive currency result, which is recognised in the "other non-operating result". Moreover, we achieved a higher result contribution from the conversion of earnings from underwriting business and investment income in foreign currencies. The consolidated result of €790m for the first three months was in line with our expectations.

The consolidated result, the rise in the reserve for currency translation adjustments and the positive growth of on-balance-sheet gains and losses on our investments due to falling interest rates meant that equity increased in comparison with the start of the year by €4.5bn to €34.8bn. In the first quarter of 2015, we acquired 1.5 million Munich Re shares to the value of around €278m as part of the 2014/2015 share buy-back programme decided on by the Board of Management.

Reinsurance

- Slight increase in premium income to €7.0bn (6.9bn)
- Life reinsurance with a consolidated result of €71m (122m)
- Property-casualty reinsurance with a consolidated result of €597m (646m)
- Treaty renewals in property-casualty reinsurance at 1 January: 1.3% fall in prices
- Combined ratio of 92.3% (86.9%) for property-casualty business
- Stable investment result of €569m (575m)
- Decline in consolidated result to €668m (768m)

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

Reinsurance – Life

Key figures

		Q1 2015	Q1 2014	Change
				%
Gross premiums written	€m	2,412	2,477	–2.6
Share of gross premiums written in reinsurance	%	34.4	36.1	
Operating result	€m	83	144	–42.4
Consolidated result	€m	71	122	–41.8

Premium
Premium for the first quarter decreased year on year by 2.6%. With around 90% of our business written in other currencies, currency translation effects have a significant impact on premium development. If exchange rates had remained the same, our premium income would have fallen by 10.6% in the first quarter.

The deterioration was partly attributable to the fact that we renewed existing major treaties with a reduced volume in the course of 2014. These treaties have played a key part in the pleasing premium development we have seen in recent years. They generally run for a period of several years and have been concluded mainly in North America, Asia and Continental Europe, with reinsurance primarily serving as a capital substitute for our clients.

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

Result
In the first quarter of 2015, we delivered a technical result of €103m (124m), which was in line with our overall expectations.

The investment result improved to €203m (181m), mainly due to higher gains on disposals, particularly of equities and fixed-interest securities. Regular income increased in the first quarter 2015 due to currency translation effects. This increase was subdued by higher losses on derivatives, but these are usually balanced by value increases in physical portfolio holdings.

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

Reinsurance – Property-casualty

Key figures

		Q1 2015	Q1 2014	Change
				%
Gross premiums written	€m	4,598	4,381	5.0
Share of gross premiums written in reinsurance	%	65.6	63.9	
Loss ratio	%	61.1	56.9	
Thereof: Major losses	Percentage points	6.2	1.0	
Expense ratio	%	31.2	30.0	
Combined ratio	%	92.3	86.9	
Operating result	€m	675	872	−22.6
Consolidated result	€m	597	646	−7.6

Premium

Gross premiums by division – Q1 2015

Global Clients and North America	36% (36%)
Special and Financial Risks	24% (18%)
Germany, Asia Pacific and Africa	21% (25%)
Europe and Latin America	19% (21%)

Our premium income in property-casualty reinsurance increased year on year by 5.0% to €4,598m (4,381m). The decline was chiefly attributable to the non-renewal or reductions of our share in several large-volume treaties. By contrast, compared with the previous year, the development of the euro against other currencies had a positive effect on our premium income. If exchange rates had remained unchanged, premium volume would have fallen by 7.2%.

As in the previous year, the renewal negotiations at 1 January 2015 were marked by an oversupply of reinsurance capacity and good capitalisation of most market players. Thus the downward pressure on prices, terms and conditions in most classes of business remained strong. Price reductions were seen mainly in natural catastrophe business, with North America showing somewhat greater declines than Europe and Asia, and in marine business. Price levels in casualty business and in credit and bond reinsurance were down only marginally overall, whilst they remained stable in aviation business given the aircraft crashes in the previous year.

More than half of our property-casualty business was up for renewal at 1 January 2015, representing a premium volume of around €9.4bn. Some 13% (around €1.2bn) of this was not renewed, partly because the business concerned no longer met Munich Re's profitability requirements. By contrast, we wrote new business with a volume of around €0.9bn. Altogether, the volume of business written at 1 January thus decreased by 9.5% to around €8.5bn. The price level, which is an indicator of the profitability of the business, fell marginally by 1.3%. The fact that the price erosion for Munich Re was relatively low underscores the importance of our consistently profit-oriented underwriting policy, and recognises the importance that individual clients are attaching to stable reinsurance relationships and comprehensive service.

Result

The technical result showed a year-on-year decline of 20.0% to €658m (822m), but was nevertheless still at a satisfactory level. The combined ratio for the first three months amounted to 92.3% (86.9%) of net earned premiums. We were thus well within our annual target of around 98% in the period under review.

The impact of major losses was lower than expected in the first quarter. The figure after retrocession and before tax was −€255m (−39m), equivalent to 6.2% of net earned premiums.

Natural catastrophes accounted for a total of −€66m (−36m), a figure which includes run-off profits and reserve strengthening for major losses from previous years. Windstorm Niklas, which crossed Europe at the end of March, caused heavy losses, for which we expect expenditure of −€40m. Cyclone Pam, which devastated the South Pacific island nation of Vanuatu in the middle of March, will cost Munich Re −€30m.

Man-made losses accounted for −€189m (−3m) in the first quarter. The largest individual loss for the period was a fire at an American refinery totalling −€35m.

In addition to the comprehensive reassessment of provisions for basic losses that we carry out primarily towards the end of the year, we also perform detailed quarterly analyses of the claims advices we receive. As these remained significantly below the expected level, we made reserve releases of €166m in the first quarter, which is equivalent to 4.0 percentage points of the combined ratio. We are also continuing to aim to set the amount of provisions for newly emerging claims at the very top end of the estimation range, so that profits from the release of a portion of these reserves are possible at a later stage.

We posted an investment result of €366m (394m) in the period from January to March 2015. The reduction was mainly attributable to losses on derivatives, particularly equity derivatives, that are usually balanced by value increases in physical portfolio holdings. These losses are partly compensated for by higher gains on disposals, particularly of equities and fixed-interest securities and by higher regular income. The increase in regular income is due to currency translation effects in the first three months of 2015.

Overall, we achieved a satisfying operating result and a similarly gratifying consolidated result to the previous year.

ERGO

- Total premium income of €4.9bn (4.8bn)
- ERGO Life and Health Germany segment performs well
- Combined ratio for the ERGO Property-casualty Germany segment increased to 98.1% (95.4%)
- Decreased result in the ERGO International segment
- Investment result of €1,212m (1,397m) negatively affected by losses on derivatives and write-downs
- Consolidated result of €99m (153m)

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

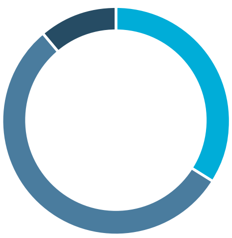
ERGO Life and Health Germany

Key figures

		Q1 2015	Q1 2014	Change
				%
Total premium income[1]	€m	2,602	2,640	-1.4
Gross premiums written	€m	2,412	2,471	-2.4
Share of gross premiums written by ERGO	%	52.6	54.1	
Operating result	€m	116	92	26.1
Consolidated result	€m	51	27	88.9

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.

Gross premiums by business segment – Q1 2015



Life Germany	34%	(36%)
Health Germany	55%	(54%)
Direct business Germany	11%	(10%)

Premium

In the ERGO Life and Health Germany segment, we report on German life business, German health business and German direct business.

Persistently low interest rates again created a difficult market environment in the first quarter of 2015. In addition, the maximum guaranteed interest rate for life insurance of previously 1.75% was reduced to 1.25% as at 1 January 2015. In the first quarter of 2015, overall premium income in the ERGO Life and Health Germany segment decreased by 1.4% to €2.60bn (2.64bn). At €2.4bn (2.5bn), gross premiums written in the period under review were down by 2.4% year on year.

Overall premium income from German life business decreased by 3.5% to €993m (1,029m). Gross premiums written were down by 6.4% to €828m (885m). The decrease was entirely due to lower regular premium volume. By contrast, single-premium business increased by 0.8%. New regular-premium business showed a 3.3% decline to €58m (60m). New business decreased slightly by 0.5% overall. In terms of annual premium equivalent (APE, i.e. regular premium income plus one-tenth of single-premium volume), which is the performance measure customary among investors, our new business volume was down 1.4%.

ERGO has been marketing the new generation of life insurance products in two variants of unsponsored private provision for old age since 2013. In early 2015, we extended our range of new-generation offerings to include a product for company pension schemes. In the first quarter of 2015, these new products together accounted for approximately one-fifth of total new business.

At €1,316m (1,331m), premium income in our Health Germany field of business was slightly lower (–1.1%) in the first quarter of 2015 than in the same period last year. Premium income in supplementary health insurance nearly reached the same level as in the first quarter of the previous year (–0.3%), whilst premium in comprehensive health insurance fell by 1.2%. Compared with the same quarter last year, new business grew by 13.0% in comprehensive health insurance and by 28.3% in supplementary health insurance, especially in the area of company health insurance. Nevertheless, premium income was down overall because the number of policyholders withdrawing from our comprehensive health cover was greater than the number of new policies we concluded.

In travel insurance, which we account for in our Health Germany field of business and write in Germany and abroad, premium volume totalled €127m (130m) and was thus below the level of the first quarter 2014 (–2.3%). German business remained stable compared with the previous year, whilst international business decreased by 7.5%.

German direct business encompasses direct life, health and property-casualty insurance business transacted under our ERGO Direkt brand in Germany.

Overall premium income in this field of business grew by 4.6% to €293m (280m) year on year. Adjusted for premiums from our capitalisation product MaxiZins, overall premium income would have been up by 4.8%. Life insurance business accounted for €134m (138m) (–2.9%), health insurance for €106m (100m) (+6.0%), and property-casualty insurance for €53m (42m) (+26.2%). Gross premiums written grew by 5.1% to €268m (255m). The 5.7% year-on-year increase in new business in German direct life insurance in the first quarter of 2015 was entirely attributable to growth of single-premium business (+7.1%). In terms of annual premium equivalent, our new business volume was on a par with last year.

Result

The ERGO Life and Health Germany segment generated an overall technical result of €88m (127m) in the first quarter of 2015. The decline mainly stemmed from the Health Germany field of business and is attributable to lower income from technical interest. The investment result in the ERGO Life and Health Germany segment amounted to €1.1bn (1.2bn), especially owing to losses on derivatives and write-downs on our Heta investments, which were mitigated by higher gains on disposals.

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

ERGO Property-casualty Germany

Key figures

		Q1 2015	Q1 2014	Change
				%
Gross premiums written	€m	1,193	1,180	1.1
Share of gross premiums written in primary insurance by ERGO	%	26.0	25.9	
Loss ratio	%	63.9	61.5	
Expense ratio	%	34.2	33.9	
Combined ratio	%	98.1	95.4	
Operating result	€m	64	95	–32.6
Consolidated result	€m	37	68	–45.6

Premium

In the ERGO Property-casualty Germany segment, we report on property-casualty insurance business in Germany with the exception of ERGO Direkt business. Our main classes of business include personal accident and motor insurance. Approximately 14% of the segment's premium income derives from personal accident insurance, and around 28% from motor insurance.

At €1,193m (1,180m), total premium income for the first quarter of 2015 was up by 1.1%. Performance varied from one class of business to the next. Premium income increased in third-party liability insurance (+3.3%) and fire and property insurance (+9.4%). In marine and aviation insurance, gross premiums written nearly reached the same level as in the first quarter of the previous year (–0.5%). By contrast, premium income fell in legal protection insurance (–1.7%) and personal accident insurance (–2.9%). Motor insurance also experienced a decline (–1.2%).

Result

The technical result in the ERGO Property-casualty Germany segment decreased to €28m (48m) due to losses from Windstorm Niklas at the end of March 2015 and isolated major losses, especially in fire insurance. The investment result amounted to €60m (79m), chiefly owing to losses on derivatives and write-downs on our Heta investments, which were mitigated by higher gains on disposals.

At 98.1%, the combined ratio was higher than in the same quarter last year (95.4%). Paid claims and the change in claims provisions totalled –€469m (–458m) and net operating expenses came to –€251m (–252m), compared with net earned premiums of €734m (745m).

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

ERGO International

Key figures

		Q1 2015	Q1 2014	Change
				%
Total premium income[1]	€m	1,075	1,018	5.6
Gross premiums written	€m	980	914	7.2
Share of gross premiums written by ERGO	%	21.4	20.0	
Loss ratio	%	60.1	58.5	
Expense ratio	%	38.6	36.4	
Combined ratio	%	98.7	94.9	
Operating result	€m	35	99	-64.6
Consolidated result	€m	11	58	-81.0

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

Premium

In the ERGO International segment, we bundle our life and property-casualty insurance business outside Germany. Approximately 40% of the segment's premium income derives from life insurance, and around 60% from property-casualty insurance. Our biggest markets include Poland, accounting for approximately 31% of the premium volume, Austria (approx. 17%) and Belgium (approx. 10%).

At €1,075m (1,018m), total premium income for the first quarter of 2015 was up by 5.6%. We posted good growth especially in Poland, Turkey and the United Kingdom. Gross premiums written rose by 7.2% to €980m (914m). Adjusted to eliminate currency translation effects, gross premiums written were up by 6.8%.

At €487m (460m), total premium income in international life insurance was up by 5.9% year on year. The marked increase is due in particular to good growth in Poland. Gross premiums written grew by 10.1% to €392m (356m). International new life insurance business recorded an increase of 8.6% to €239m (220m). While single-premium business was up by 19.8%, chiefly due to good growth in Poland, new regular-premium business decreased by 31.3%, mainly attributable to performance in Poland, Belgium and Austria. In terms of annual premium equivalent, our new business volume was down 18.5%.

In international property-casualty business, premium income grew by 5.4% to €588m (558m). Premium income in Turkey, Poland and the United Kingdom developed favourably. The newly acquired property-casualty insurer ERGO Insurance Pte. Ltd., Singapore, has been included in our figures since the third quarter of 2014, accounting for a year-on-year increase of €10m in gross premiums written in the first quarter of 2015.

Result

In the first quarter of 2015, the technical result in the ERGO International segment decreased to €41m (82m), partly attributable to a slight inflation of results from a one-off positive effect in Belgium in the first quarter of 2014. In the period under review, we posted an investment result of €85m (161m), chiefly owing to losses on derivatives and write-downs on our Heta investments, which were mitigated by higher gains on disposals.

In property-casualty business, the combined ratio increased to 98.7% (94.9%). The increase was chiefly due to developments in Poland, Turkey and the United Kingdom. While Poland and Turkey mainly experienced a worsening of loss ratios, the rise in the United Kingdom was attributable to increased costs. Paid claims and the change in claims provisions totalled –€310m (–282m) and net operating expenses came to –€199m (–175m), compared with net earned premiums of €516m (482m).

The reduced technical result and investment result were the main drivers of the decrease in the operating result and consolidated result.

Munich Health

— Gross premiums of €1.4bn (1.5bn) below level of last year
— Slightly higher combined ratio of 100.4% (99.7%)
— Higher investment result of €39m (20m)
— Consolidated result increases to €23m (20m)

Key figures

		Q1 2015	Q1 2014	Change
				%
Gross premiums written	€m	1,443	1,501	–3.9
Loss ratio[1]	%	84.1	84.1	
Expense ratio[1]	%	16.3	15.6	
Combined ratio[1]	%	100.4	99.7	
Operating result	€m	22	25	–12.0
Consolidated result	€m	23	20	15.0

1 Excluding business conducted like life insurance.

With the exception of the German health insurers belonging to ERGO, Munich Re's global healthcare insurance and reinsurance business is combined under the Munich Health brand. We offer our international clients across the world innovative insurance solutions and individual consultancy and services. With effect from 1 January 2015, Munich Health sold its 75% shareholding in DKV Luxembourg to La Luxembourgeoise, which already held 25% of the shares.

Premium

Gross premiums – Q1 2015

Reinsurance		
North America	53%	(55%)
Europe and Latin America	10%	(12%)
Middle East/Africa	10%	(6%)
Asia-Pacific	2%	(2%)
Primary insurance		
Spain	15%	(14%)
Belgium	9%	(9%)
Other	1%	(2%)

In reinsurance, the 5.2% decrease in premium income to €1.07bn (1.13bn) was attributable to the reduction of Munich Re's share in a large-volume treaty in North America, which was partly offset by positive currency translation effects, in particular from the Canadian dollar. In primary insurance, premium income was stable at €370m (369m), despite the sale of DKV Luxembourg. If exchange rates had remained unchanged, and adjusted for the sale of DKV Luxembourg, Munich Health's gross premiums would have decreased 8.9% year on year.

Result

At –€6m (14m), the technical result was below the level of the previous year, mainly due to decreased results at DKV Belgium and in reinsurance.

The Munich Health combined ratio of 100.4% (99.7%) relates only to short-term health business, not to business conducted like life insurance. Business conducted like life insurance accounted for 9.3% (9.7%) of gross premiums written in the first three months of 2015. In reinsurance, the combined ratio amounted to 100.8% (99.7%). In primary insurance, it was 98.0% (99.4%).

The investment result improved year on year to €39m (20m), mainly because of gains on a subsequent purchase price adjustment from the sale of the Windsor Health Group.

Overall, we posted a lower operating result. Owing to a somewhat lower tax burden, the consolidated result was up slightly.

Investment performance

— Fall in interest rates and development of exchange rates lead to higher market values of €251.3bn (235.8bn)
— Valuation reserves rise to €40bn (32bn)
— Investment result of €1.8bn (2.0bn)

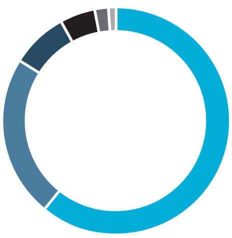
We gear the selection of our investments to the economic characteristics of our technical provisions and liabilities. In addition, we use derivative financial instruments for portfolio management (especially for acquisition preparation) and hedging against fluctuations on the interest-rate, equity and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

Investments by type according to carrying amounts

	31.3.2015	31.12.2014	Change
	€m	€m	%
Land and buildings, including buildings on third-party land	3,738	3,732	0.2
Investments in affiliated companies	300	274	9.5
Investments in associates and joint ventures	1,374	1,285	6.9
Loans	53,819	54,550	-1.3
Other securities held to maturity	–	–	–
Other securities available for sale			
Fixed-interest	139,157	129,806	7.2
Non-fixed-interest	16,347	14,037	16.5
Other securities at fair value through profit or loss			
Held for trading			
Fixed-interest	52	45	15.6
Non-fixed-interest	52	45	15.6
Derivatives	2,277	1,874	21.5
Designated as at fair value through profit or loss			
Fixed-interest	199	204	-2.5
Non-fixed-interest	1	1	–
Deposits retained on assumed reinsurance	8,925	8,750	2.0
Other investments	4,816	4,324	11.4
Total	**231,057**	**218,927**	**5.5**

Distribution of investments by type

Total: €231bn (219bn)



Fixed-interest securities	61% (60%)
Loans	23% (25%)
Miscellaneous investments	8% (8%)
Shares and equity funds	5% (4%)
Real estate	2% (2%)
Participating interests	1% (1%)

Falling risk-free interest rates and the development of exchange rates led to increasing carrying and market values in our investment portfolio, which continues to be dominated by fixed-interest securities, loans and short-term fixed-interest investments. At 31 March 2015, the carrying amount of our investments amounted to €231.1bn (218.9bn).

In the period under review, we slightly increased our portfolio of corporate bonds and cash, but slightly reduced our investments in covered bonds and structured products.

The fall in interest rates and the rise in share prices resulted in an increase in on- and off-balance-sheet gains and losses, which would be posted to the income statement upon disposal of the relevant investments. Including investments in affiliated companies and associates, these climbed from €32.0bn at 31 December 2014 to €40.0bn at 31 March 2015.

Other securities available for sale

	Carrying amounts		On-balance-sheet unrealised gains and losses		At amortised cost	
€m	31.3.2015	31.12.2014	31.3.2015	31.12.2014	31.3.2015	31.12.2014
Fixed-interest	139,157	129,806	15,322	11,967	123,835	117,839
Non-fixed-interest	16,347	14,037	3,612	2,270	12,735	11,767
Total	**155,504**	**143,843**	**18,934**	**14,237**	**136,570**	**129,606**

Off-balance-sheet unrealised gains and losses

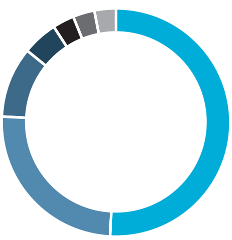
	Fair values		Off-balance-sheet unrealised gains and losses		Carrying amounts	
€m	31.3.2015	31.12.2014	31.3.2015	31.12.2014	31.3.2015	31.12.2014
Land and buildings[1]	8,728	8,647	2,555	2,491	6,173	6,156
Associates	1,823	1,796	455	516	1,368	1,280
Loans	71,535	68,950	17,716	14,400	53,819	54,550
Other securities	–	–	–	–	–	–
Total	**82,086**	**79,393**	**20,726**	**17,407**	**61,360**	**61,986**

1 Including owner-occupied property.

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

Fixed-interest portfolio according to economic categories[1]

Total: €220bn (207bn)



Government bonds[2]	51% (50%)
Thereof: Inflation-linked bonds	8% (8%)
Pfandbriefs/Covered bonds	25% (27%)
Corporate bonds	10% (10%)
Cash/Other	5% (4%)
Bank bonds	3% (3%)
Structured products (credit structures)	3% (3%)
Policy and mortgage loans	3% (3%)

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

Most of our fixed-interest portfolio is invested in government bonds. In the current financial year, new investments have been made in particular in Spanish and Irish government bonds. The purchase of government bonds from emerging markets is also part of our balanced investment strategy. Reductions focused on our holdings of bonds from Italian and German issuers. The vast majority of our government bonds continue to come from countries with a high credit rating. As part of our risk management, we gear our risk capital requirements and limits to the ratings of the relevant issuers, but we do not treat any of the bonds as risk-free. Approximately 45% of our government bond portfolio is made up of German and US bonds, and 9% from Italy, Spain, Portugal and Ireland. We do not hold any government bonds from Greece, Cyprus or Argentina.

Our portfolio of covered bonds decreased. Above all, we reduced our holdings of French and Spanish covered bonds.

Fixed-interest securities: Bank bonds[1]

%	31.3.2015	31.12.2014
Senior bonds	81	81
Loss-bearing bonds	4	5
Subordinated bonds	15	14

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

Our investment in bank bonds is limited and at the reporting date amounted to 3% (3%) of our portfolio of fixed-interest securities. Corporate bonds from other sectors account for 10% (10%) of our interest-bearing investments, and credit derivatives increase our exposure by a further percentage point.

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

The carrying amount of our equity portfolio (before taking derivatives into account, and including investments in affiliated companies, associates and joint ventures at market value) rose in the first quarter. Our equity-backing ratio amounted to 5.7% (5.2%). The derivatives used to hedge our equity portfolio were increased, thus slightly decreasing our equity exposure. Including hedges, our equity backing ratio was 4.2% (4.3%). Besides this, we are protecting ourselves against accelerated inflation in an environment of continuing low interest rates. We also hold inflation-linked bonds with a volume (at market values) of €9.0bn (8.5bn) and inflation-linked swaps with an exposure of €5.7bn (5.9bn). Real assets like shares, property, commodities, and investments in infrastructure, renewable energies and new technologies also serve as protection against inflation. In the area of renewable energy, we purchased three solar parks in the United Kingdom in the first quarter. Additionally, our investments in real assets have a positive diversification effect on the overall portfolio.

Investment result[1]

	Q1 2015	Return[2]	Q1 2014	Return[2]
	€m	%	€m	%
Regular income	1,801	3.0	1,697	3.2
Write-ups/write-downs of non-derivative investments	–151	–0.2	–15	0.0
Net realised capital gains on non-derivative investments	997	1.6	517	0.9
Derivative result	–706	–1.2	–96	–0.2
Other income/expenses	–121	–0.2	–111	–0.2
Total	**1,820**	**3.0**	**1,992**	**3.7**

1 The investment result can be found on page 60 f. of the notes to the consolidated financial statements.
2 Annualised return in % p.a. on the average market value of the investment portfolio at the quarterly reporting dates.

Regular income increased year on year in the first quarter of 2015 due to currency translation effects. Our reinvestment return was 2.0% (2.5%). Due to the decline in interest rates in the first three months, reinvestment yields remain far lower than the average return on our existing portfolio of fixed-interest investments.

In the past quarter, we posted net write-downs of –€151m (–15m) on non-derivative investments, particularly on our portfolios of fixed-interest securities and shares. In the course of the liquidation of Heta, we posted a write-down on our fixed-interest portfolio of –€104m, allocable solely to ERGO.

In the first quarter of 2015, through active asset management we achieved net gains of €997m (517m) on the disposal of non-derivative investments. In particular, these resulted from higher gains realised on fixed-interest securities and equities.

In the past quarter, we posted a negative balance totalling –€706m (–96m) from write-ups and write-downs of derivatives and losses on the disposal of derivatives. The adverse effects were mainly attributable to equity derivatives. However, the losses on derivatives are usually balanced by value increases in physical portfolio holdings. Higher gains on interest-rate derivatives (particularly from ERGO's interest-rate hedging programme) had a positive effect on the result.

Prospects

— Premium income of €49–51bn expected
— Return on investment likely to be at least 3%
— Profit guidance of €2.5–3bn still valid

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

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

Reinsurance

Reinsurance remains an attractive business field, with a wide variety of long-term earnings opportunities for us. Although the insurance density in many industrialised countries is already high, even these markets often have an additional need for insurance cover. This is because weather-related natural hazards exposure is showing an increasing trend as the climate changes and the concentration of values in particularly exposed regions becomes greater. And even previously, only a small portion of the total economic losses from major natural catastrophes was insured. In growth regions, the demand for insurance is increasing for protecting manufacturing capacity and the rising prosperity of the population. Moreover, all around the world, only a small portion of the risks from potential liability claims by third parties are insured. As a result, the strongly increasing capacity supply in the primary insurance and reinsurance sectors at present is matched by a demand potential in many classes of business that is not yet exhausted.

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

Gross premiums in reinsurance should be in the range of around €28bn overall in 2015, and thus up on the previous year. The increase of approximately €1.5bn compared with the median value of the forecast we made in our annual report for 2014 is due to positive currency translation effects, which may still influence our estimate considerably. For 2015, we expect the consolidated result in reinsurance to be at least €2bn, potentially as much as €0.9bn below the excellent result for 2014. This anticipated lower result will be due to the absence of one-off tax effects, the reduction in prices in property-casualty reinsurance, and pressure on our investment income in a continuing low-interest-rate environment.

For 2015, we project that gross premiums written in life reinsurance will be in the region of €10bn. We are adhering to our objective of achieving a technical result of around €400m.

In property-casualty reinsurance, we are currently experiencing unrelenting competition. On the one hand, given their good capitalisation, primary insurers are ceding fewer risks to reinsurance, which tends to result in falling demand for cover. On the other hand, reinsurers are able to provide ample capacity, since their capital base has also steadily improved thanks to the good results posted over the last few years. There is also the ongoing availability of alternative capital in the US market: institutional investors such as pension funds increasingly favour insurance securitisation and other forms of reinsurance-like transactions. Accordingly, there is currently appreciable surplus capacity on the supply side. The prices, terms and conditions for reinsurance cover are therefore under increasing pressure across the board, albeit with decreasing intensity.

As a well-diversified reinsurer with extensive know-how, we are able to offer tailor-made solutions – in contrast to most providers. Moreover, with our technical expertise and risk knowledge, we are in a position to support rapidly growing industries and to judiciously extend the boundaries of insurability with needs-based covers. These skills are recognised because individual clients are increasingly placing more value on a stable client relationship with first-rate service and solid security than on ever-lower prices.

At 1 April 2015, a volume of around €1.0bn, or around 6% of the overall portfolio, was up for renewal in the property-casualty reinsurance segment. Roughly 20% of this figure derives from Japan, with another 60% of the renewal volume stemming from North America and global business. These renewals also comprised a high percentage of the highly competitive natural catastrophe business – just under 40% of the premium worldwide. Pressure on prices, terms and conditions remained high, in particular for natural catastrophe covers: at 2.6%, the fall in prices was correspondingly greater in comparison with January, but less pronounced than in the renewals in April 2014. Nevertheless, premium volume increased slightly overall; the decrease in business realised as part of our consistent cycle management (for example in Japan) was more than offset by exploiting individual opportunities.

The renewals at 1 July 2015 will chiefly concern treaty business in the US market, Australia, and Latin America. They will also involve a relatively large proportion of natural catastrophe business, albeit somewhat less than the April renewals. Competition should remain intense as long as there are no extraordinary loss events or other major market upheavals, but the pressure on prices should ease still further after two years of price deterioration.

For 2015, we anticipate that gross premiums written in property-casualty reinsurance will total around €18bn, i.e. some €1bn more than last year. The increase of €1bn compared with the forecast we made in our annual report for 2014 is chiefly due to positive currency translation effects. As the combined ratio of 92.3% for the first three months of the year was below our expectations owing to the low burden for major losses, we now anticipate that this ratio will be around 97% of net earned premiums for the year as a whole, an improvement by one percentage point in comparison with our forecast in the Annual Report 2014.

ERGO

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

Total premium income in 2015 in the ERGO field of business should be in the range of €17.5–18bn, with gross premiums written of €16–16.5bn, somewhat below the level of the previous year. We project a consolidated result for 2015 of around €500m for ERGO, a significant improvement on the low 2014 result, which was mainly caused by the write-off of goodwill in the segment ERGO International.

In ERGO Life and Health Germany, our total premium income is expected to be around €10.5bn, with gross premiums written ranging between €9bn and €9.5bn.

Given the further drop in interest rates and a climate that is thus not conducive to private provision for old age, the environment remains challenging in the Life Germany segment. Premium development will be substantially influenced by volatile, heavily interest-rate-dependent single-premium business. We see good opportunities with our new product generation, which we extended in 2015 to include a company pension product. Nevertheless, we anticipate an overall fall in premium income in ERGO's German life business in 2015.

We expect gross premiums written to roughly maintain the previous year's level in Health Germany. In private health insurance, the premium adjustment we make in the 2015 financial year will be slightly higher than in the previous year. The falling number of insureds is nonetheless leading to a decline in premium volume in comprehensive health cover. In supplementary health business, by contrast, we see good growth opportunities overall, particularly in supplementary long-term care insurance and company health insurance. In travel insurance, we are adhering to our risk- and profit-oriented underwriting policy. We therefore expect a slight downward trend in premium, also due to the continuing difficult economic and political conditions in important travel destinations.

In 2015, gross premiums written for direct business in Germany should remain largely stable compared with 2014. Falls in life primary insurance will probably be compensated for again by growth in health insurance.

Gross premiums written in the segment Property-casualty Germany should be somewhat over €3bn. We continue to attach great importance to risk-commensurate prices, and we are consistently implementing measures to improve the earnings situation. The combined ratio in property-casualty business in Germany should therefore improve by a good two percentage points on 2014, and reach a very good level of around 93%, provided major losses remain within normal bounds.

We aim to achieve gross premiums written in the range of €3.5–4bn for the ERGO International segment in 2015, and generate overall premium volume of around €4bn, with some uncertainty concerning the demand for single-premium business in life insurance. We should see growth in property-casualty business provided there are no economic setbacks or exchange rate losses. There will also be a contribution from our business in Singapore, which we acquired in the second half of 2014 but which was first included in our figures in the third quarter of 2014. We anticipate that the combined ratio will be around 97%.

Munich Health

Owing to medical advances, generally higher life expectancies and the increasing prosperity of broad sectors of the population, the international healthcare market offers diverse growth opportunities for Munich Health. We intend to utilise these opportunities even better in future, following some individual adjustments to our strategic orientation. In reinsurance, we see avenues for growth from our clients' increasing numbers of insureds and a strong demand for customised solutions.

For 2015, we forecast gross premiums written of around €5.5bn; somewhat more than we had forecast in our annual report for 2014 thanks to positive currency translation effects. The combined ratio is likely to be around 99%. Altogether, we project a profit of between €50m and €100m for 2015. The decrease is due to a lower technical result and to the absence of one-off tax effects.

Munich Re (Group)

We are proceeding on the assumption that the Group's gross premiums written for 2015 will be in the range of €49–51bn. The increase of €2bn compared with the forecast we made in our annual report for 2014 is chiefly due to positive currency translation effects. The median value is around €1.2bn higher than in the previous year.

We are adhering to our long-term objective of a 15% return on our risk-adjusted capital (RORAC) after tax across the cycle of the insurance and interest-rate markets. In the long term, we want to grow profitably with innovative business. However, this target will be difficult to achieve in the current environment of very low interest rates, even on investments entailing risk.

Provided that major-loss experience is in line with expectations, our assumption for 2015 is that Munich Re will post a technical result that is lower than last year at around €3bn.

The investment result for 2015 should reach at least €7bn, and the anticipated return on investment should be around 3%. We continue to anticipate that market interest rates will remain very low overall in 2015, with correspondingly lower regular income from fixed-interest investments. By contrast, normal restructuring will generate correspondingly higher gains on disposal because of increased market values.

Overall, our profit guidance of €2.5–3bn for the 2015 consolidated result remains unchanged.

The share buy-back programme we launched in May 2014 was concluded as planned on 10 April 2015. Under this programme, we bought back a total of 6.1 million Munich Re shares with a volume of €1.0bn. These were retired on 23 April 2015, reducing the number of shares issued by the Company to just under 167 million. Including the dividend for the financial year 2014, which was paid out in April 2015, we have returned – both directly and indirectly – slightly less than €19bn to our shareholders since 2006.

Our good capitalisation enables us to continue taking selective advantage of opportunities for profitable growth in individual regions and classes of business. We intend to carry on returning excess capital to equity holders in future as well. We aim to repurchase further shares with a volume of up to €1bn before the Annual General Meeting on 27 April 2016, provided no major upheavals occur on the capital markets or in underwriting business.

Beyond this, the statements relating to opportunities and risks as presented in the Munich Re Group Annual Report 2014 apply unchanged.

Interim consolidated financial statements
Consolidated balance sheet as at 31 March 2015[1]

Assets

			31.12.2015	31.12.2014		Change
	€m	€m	€m	€m	€m	%
A. Intangible assets						
I. Goodwill		3,264		3,063	201	6.6
II. Other intangible assets		1,256		1,220	36	3.0
			4,520	**4,283**	**237**	**5.5**
B. Investments						
I. Land and buildings, including buildings on third-party land		3,738		3,732	6	0.2
II. Investments in affiliated companies, associates and joint ventures		1,674		1,559	115	7.4
Thereof: Associates and joint ventures accounted for using the equity method		1,368		1,280	88	6.9
Thereof: Held for sale		27		27	–	–
III. Loans		53,819		54,550	-731	-1.3
IV. Other securities						
1. Held to maturity	–			–	–	–
2. Available for sale	155,504			143,843	11,661	8.1
Thereof: Held for sale	–			79	-79	-100.0
3. At fair value through profit or loss	2,581			2,169	412	19.0
		158,085		146,012	12,073	8.3
V. Deposits retained on assumed reinsurance		8,925		8,750	175	2.0
VI. Other investments		4,816		4,324	492	11.4
			231,057	**218,927**	**12,130**	**5.5**
C. Insurance-related investments			**9,469**	**8,461**	**1,008**	**11.9**
D. Ceded share of technical provisions			**5,657**	**5,328**	**329**	**6.2**
E. Receivables						
I. Current tax receivables		1,091		981	110	11.2
II. Other receivables		13,082		11,469	1,613	14.1
			14,173	**12,450**	**1,723**	**13.8**
F. Cash at banks, cheques and cash in hand			**3,521**	**2,912**	**609**	**20.9**
G. Deferred acquisition costs						
Gross		9,804		9,555	249	2.6
Ceded share		-89		-79	-10	-12.7
Net			9,715	9,476	239	2.5
H. Deferred tax assets			**8,039**	**7,606**	**433**	**5.7**
I. Other assets			**3,542**	**3,541**	**1**	**0.0**
Total assets			**289,693**	**272,984**	**16,709**	**6.1**

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

Equity and liabilities

	31.3.2015		31.12.2014		Change
	€m	€m	€m	€m	%
A. Equity					
I. Issued capital and capital reserve	7,412		7,417	–5	–0.1
II. Retained earnings	15,922		12,991	2,931	22.6
III. Other reserves	10,353		6,458	3,895	60.3
IV. Consolidated result attributable to Munich Reinsurance Company equity holders	790		3,152	–2,362	–74.9
V. Non-controlling interests	276		271	5	1.8
		34,753	**30,289**	**4,464**	**14.7**
B. Subordinated liabilities		**4,476**	**4,413**	**63**	**1.4**
C. Gross technical provisions					
I. Unearned premiums	9,853		8,373	1,480	17.7
II. Provision for future policy benefits	113,538		112,648	890	0.8
Thereof: Held for sale	–		48	–48	–100.0
III. Provision for outstanding claims	60,561		56,362	4,199	7.5
IV. Other technical provisions	20,549		18,492	2,057	11.1
		204,501	**195,875**	**8,626**	**4.4**
D. Gross technical provisions for unit-linked life insurance		**8,627**	**7,837**	**790**	**10.1**
E. Other accrued liabilities		**4,554**	**4,473**	**81**	**1.8**
F. Liabilities					
I. Bonds and notes issued	318		282	36	12.8
II. Deposits retained on ceded business	2,762		2,673	89	3.3
III. Current tax liabilities	2,632		2,729	–97	–3.6
IV. Other liabilities	16,197		14,637	1,560	10.7
		21,909	**20,321**	**1,588**	**7.8**
G. Deferred tax liabilities		**10,873**	**9,776**	**1,097**	**11.2**
Total equity and liabilities		**289,693**	**272,984**	**16,709**	**6.1**

Consolidated income statement
1 January to 31 March 2015[1]

Items

			Q1 2015	Q1 2014		Change
	€m	€m	€m	€m	€m	%
Gross premiums written	**13,038**			**12,924**	**114**	**0.9**
1. Earned premiums						
Gross	12,183			12,273	-90	-0.7
Ceded	-323			-378	55	14.6
Net		11,860		11,895	-35	-0.3
2. Income from technical interest		**2,267**		**1,922**	**345**	**18.0**
3. Expenses for claims and benefits						
Gross	-10,380			-10,099	-281	-2.8
Ceded share	184			128	56	43.8
Net		-10,196		-9,971	-225	-2.3
4. Operating expenses						
Gross	-3,060			-2,694	-366	-13.6
Ceded share	41			65	-24	-36.9
Net		-3,019		-2,629	-390	-14.8
5. Technical result (1–4)			**912**	**1,217**	**-305**	**-25.1**
6. Investment result		**1,820**		**1,992**	**-172**	**-8.6**
Thereof: Income from associates and joint ventures accounted for using the equity method		40		5	35	700.0
7. Insurance-related investment result		**579**		**78**	**501**	**642.3**
8. Other operating income		**179**		**177**	**2**	**1.1**
9. Other operating expenses		**-228**		**-215**	**-13**	**-6.0**
10. Deduction of income from technical interest		**-2,267**		**-1,922**	**-345**	**-18.0**
11. Non-technical result (6–10)			**83**	**110**	**-27**	**-24.5**
12. Operating result (5+11)			**995**	**1,327**	**-332**	**-25.0**
13. Other non-operating result			**6**	**-115**	**121**	**–**
14. Impairment losses of goodwill			**–**	**–**	**–**	**–**
15. Net finance costs			**-60**	**-56**	**-4**	**-7.1**
16. Taxes on income			**-151**	**-215**	**64**	**29.8**
17. Consolidated result (12–16)			**790**	**941**	**-151**	**-16.0**
Thereof: Attributable to Munich Reinsurance Company equity holders			790	936	-146	-15.6
Attributable to non-controlling interests			–	5	-5	-100.0
			€	€	€	%
Earnings per share			**4.71**	**5.33**	**-0.62**	**-11.6**

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

Consolidated income statement[1] (quarterly breakdown)

Items

	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
	€m	€m	€m	€m	€m
Gross premiums written	**13,038**	**12,015**	**12,053**	**11,856**	**12,924**
1. Earned premiums					
Gross	12,183	12,558	12,100	12,056	12,273
Ceded	-323	-483	-391	-351	-378
Net	11,860	12,075	11,709	11,705	11,895
2. Income from technical interest	**2,267**	**1,923**	**1,776**	**1,882**	**1,922**
3. Expenses for claims and benefits					
Gross	-10,380	-10,103	-9,874	-10,340	-10,099
Ceded share	184	197	200	197	128
Net	-10,196	-9,906	-9,674	-10,143	-9,971
4. Operating expenses					
Gross	-3,060	-3,556	-2,950	-3,064	-2,694
Ceded share	41	77	95	76	65
Net	-3,019	-3,479	-2,855	-2,988	-2,629
5. Technical result (1–4)	**912**	**613**	**956**	**456**	**1,217**
6. Investment result	**1,820**	**1,972**	**1,670**	**2,368**	**1,992**
Thereof: Income from associates and joint ventures accounted for using the equity method	40	24	17	31	5
7. Insurance-related investment result	**579**	**52**	**85**	**199**	**78**
8. Other operating income	**179**	**218**	**170**	**182**	**177**
9. Other operating expenses	**-228**	**-277**	**-197**	**-186**	**-215**
10. Deduction of income from technical interest	**-2,267**	**-1,923**	**-1,776**	**-1,882**	**-1,922**
11. Non-technical result (6–10)	**83**	**42**	**-48**	**681**	**110**
12. Operating result (5+11)	**995**	**655**	**908**	**1,137**	**1,327**
13. Other non-operating result	**6**	**-29**	**-127**	**-225**	**-115**
14. Impairment losses of goodwill	**–**	**-445**	**–**	**–**	**–**
15. Net finance costs	**-60**	**-58**	**-56**	**-58**	**-56**
16. Taxes on income	**-151**	**608**	**11**	**-92**	**-215**
17. Consolidated result (12–16)	**790**	**731**	**736**	**762**	**941**
Thereof:					
Attributable to Munich Reinsurance Company equity holders	790	725	733	758	936
Attributable to non-controlling interests	–	6	3	4	5
		€	€	€	€
Earnings per share	**4.71**	**4.29**	**4.28**	**4.39**	**5.33**

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

Statement of recognised income and expense
1 January to 31 March 2015[1]

€m		Q1 2015	Q1 2014
Consolidated result		**790**	**941**
Currency translation			
Gains (losses) recognised in equity	1,857		1
Recognised in the consolidated income statement	–		–
Unrealised gains and losses on investments			
Gains (losses) recognised in equity	2,465		994
Recognised in the consolidated income statement	–430		–225
Change resulting from valuation at equity			
Gains (losses) recognised in equity	–		15
Recognised in the consolidated income statement	–		–
Change resulting from cash flow hedges			
Gains (losses) recognised in equity	1		1
Recognised in the consolidated income statement	–		–
Other changes	–		13
I. Items where income and expenses recognised directly in equity are reallocated to the consolidated income statement	3,893		799
Remeasurements of defined benefit plans	62		37
Other changes	–		–
II. Items where income and expenses recognised directly in equity are not reallocated to the consolidated income statement	62		37
Income and expense recognised directly in equity (I + II)		**3,955**	**836**
Total recognised income and expense		**4,745**	**1,777**
Thereof:			
Attributable to Munich Reinsurance Company equity holders		4,738	1,773
Attributable to non-controlling interests		7	4

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

Group statement of changes in equity[1]

€m	Issued capital	Capital reserve
31.12.2013 as originally recognised	581	6,845
Change from retrospective adjustment	–	–
Status at 31.12.2013	**581**	**6,845**
Allocation to retained earnings	–	–
Consolidated result	–	–
Income and expense recognised directly in equity	–	–
Currency translation	–	–
Unrealised gains and losses on investments	–	–
Change resulting from valuation at equity	–	–
Change resulting from cash flow hedges	–	–
Remeasurements of defined benefit plans	–	–
Other changes	–	–
Total recognised income and expense	–	–
Change in shareholdings in subsidiaries	–	–
Change in consolidated group	–	–
Dividend	–	–
Purchase/sale of own shares	–12	–
Retirement of own shares	–	–
Status at 31.3.2014	**569**	**6,845**
31.12.2014 as originally recognised	572	6,845
Change from retrospective adjustment	–	–
Status at 31.12.2014	**572**	**6,845**
Allocation to retained earnings	–	–
Consolidated result	–	–
Income and expense recognised directly in equity	–	–
Currency translation	–	–
Unrealised gains and losses on investments	–	–
Change resulting from valuation at equity	–	–
Change resulting from cash flow hedges	–	–
Remeasurements of defined benefit plans	–	–
Other changes	–	–
Total recognised income and expense	–	–
Change in shareholdings in subsidiaries	–	–
Change in consolidated group	–	–
Dividend	–	–
Purchase/sale of own shares	–5	–
Retirement of own shares	–	–
Status at 31.3.2015	**567**	**6,845**

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

Equity attributable to Munich Reinsurance Company equity holders						Non-controlling interests	Total equity
Retained earnings		Other reserves			Consolidated result		
Retained earnings before deduction of own shares	Own shares held	Unrealised gains and losses	Reserve from currency translation	Valuation result from cash flow hedges			
13,136	-295	3,368	-997	3	3,304	243	26,188
-8	–	–	–	–	-6	–	-14
13,128	**-295**	**3,368**	**-997**	**3**	**3,298**	**243**	**26,174**
3,298	–	–	–	–	-3,298	–	–
–	–	–	–	–	936	5	941
58	–	776	2	1	–	-1	836
–	–	–	2	–	–	-1	1
–	–	767	–	–	–	2	769
6	–	9	–	–	–	–	15
–	–	–	–	1	–	–	1
39	–	–	–	–	–	-2	37
13	–	–	–	–	–	–	13
58	–	776	2	1	936	4	1,777
–	–	–	–	–	–	–	–
–	–	–	–	–	–	-15	-15
–	–	–	–	–	–	–	–
–	-567	–	–	–	–	–	-579
–	–	–	–	–	–	–	–
16,484	**-862**	**4,144**	**-995**	**4**	**936**	**232**	**27,357**
13,683	-678	6,026	434	-2	3,153	271	30,304
-14	–	–	–	–	-1	–	-15
13,669	**-678**	**6,026**	**434**	**-2**	**3,152**	**271**	**30,289**
3,152	–	–	–	–	-3,152	–	–
–	–	–	–	–	790	–	790
53	–	2,043	1,852	–	–	7	3,955
–	–	–	1,852	–	–	5	1,857
–	–	2,033	–	–	–	2	2,035
-9	–	10	–	-1	–	–	–
–	–	–	–	1	–	–	1
62	–	–	–	–	–	–	62
–	–	–	–	–	–	–	–
53	–	2,043	1,852	–	790	7	4,745
–	–	–	–	–	–	–	–
–	–	–	–	–	–	-2	-2
–	–	–	–	–	–	–	–
–	-274	–	–	–	–	–	-279
–	–	–	–	–	–	–	–
16,874	**-952**	**8,069**	**2,286**	**-2**	**790**	**276**	**34,753**

Condensed consolidated cash flow statement
1 January to 31 March 2015[1]

€m	Q1 2015	Q1 2014
Consolidated result	**790**	**941**
Net change in technical provisions	5,424	974
Change in deferred acquisition costs	–240	–20
Change in deposits retained and accounts receivable and payable	–962	436
Change in other receivables and liabilities	155	633
Gains and losses on the disposal of investments	–297	–512
Change in securities at fair value through profit or loss	–1,142	528
Change in other balance sheet items	111	67
Other income/expenses without impact on cash flow	–1,439	63
I. Cash flows from operating activities	2,400	3,110
Change from losing control of consolidated subsidiaries	16	–
Change from obtaining control of consolidated subsidiaries	–4	–31
Change from the acquisition, sale and maturities of other investments	–1,634	–2,503
Change from the acquisition and sale of investments for unit-linked life insurance contracts	–228	–118
Other	32	–37
II. Cash flows from investing activities	–1,818	–2,689
Inflows from increases in capital and from non-controlling interests	–	–
Outflows to ownership interests and non-controlling interests	–279	–579
Dividend payments	–	–
Change from other financing activities	39	–25
III. Cash flows from financing activities	–240	–604
Cash flows for the financial year (I + II + III)	**342**	**–183**
Effect of exchange-rate changes on cash	267	102
Cash at the beginning of the financial year	2,912	2,820
Cash at 31 March of the financial year	3,521	2,739

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

Selected notes to the consolidated financial statements

Recognition and measurement

This quarterly report as at 31 March 2015 has been prepared in accordance with International Financial Reporting Standards (IFRSs) as applicable in the European Union. The condensed interim consolidated financial statements are prepared in accordance with IAS 34, Interim Financial Reporting. We have complied with all new and amended IFRSs and IFRIC interpretations whose application is mandatory for Munich Re for the first time for periods beginning on 1 January 2015. 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 2014, with the exception of the changes mentioned below. In accordance with the rules of IFRS 4, underwriting items are recognised and measured on the basis of US GAAP (United States Generally Accepted Accounting Principles) at first-time adoption of IFRS 4 on 1 January 2005.

As of the financial year 2015, application of the following new or amended IFRSs is mandatory for the first time:

The IASB concluded the project **Annual Improvement to IFRSs 2011–2013 Cycle** in December 2013 with the publication of the revised standards. These amendments concern IFRS 1, First-time Adoption of International Financial Reporting Standards; IFRS 3, Business Combinations; IFRS 13, Fair Value Measurement; and IAS 40, Investment Property Measured at Fair Value. These amendments concern clarifications of individual provisions that have turned out to be unclear in practice; they have no impact on Munich Re’s financial statements.

IFRIC Interpretation 21 (05/2013), Levies, clarifies the point of recognition of a liability within the scope of IAS 37 for levies imposed by governments, other than income taxes, that do not fall within the scope of application of other IFRSs. As well as determining the point of recognition, the Interpretation clarifies how to interpret the definition of “present obligation” within the meaning of IAS 37 with respect to such levies. It has no material effects on Munich Re.

In valuing the provision for outstanding claims, the time value of money and the specific risk for the provision were not calculated correctly for one reinsurance portfolio. The items concerned were corrected retrospectively. The adjustments had the following effects on the consolidated balance sheets for the financial years 2013 and 2014, and the consolidated income statement for 2014.

Consolidated balance sheet

		31.12.2013 as originally recognised	Changes due to adjustments in 2013	31.12.2013
€m				
Assets				
H.	Deferred tax assets	6,995	4	6,999
Equity and liabilities				
A. II.	Retained earnings	12,841	–8	12,833
A. IV.	Consolidated result attributable to Munich Reinsurance Company equity holders	3,304	–6	3,298
C. IV.	Provision for outstanding claims	53,061	18	53,079

Consolidated balance sheet

		31.12.2014 as originally recognised	Changes due to adjustments in 2014	31.12.2014
€m				
Assets				
H.	Deferred tax assets	7,601	5	7,606
Equity and liabilities				
A. II.	Retained earnings	13,005	–14	12,991
A. IV.	Consolidated result attributable to Munich Reinsurance Company equity holders	3,153	–1	3,152
C. IV.	Provision for outstanding claims	56,342	20	56,362

Consolidated income statement

		2014 as originally recognised	Changes due to adjustments in 2014	2014
€m				
3.	**Expenses for claims and benefits**			
	Gross	–40,415	–1	–40,416
	Net	–39,693	–1	–39,694
5.	**Technical result**	**3,243**	**–1**	**3,242**
12.	**Operating result**	**4,028**	**–1**	**4,027**
17.	**Consolidated result**	**3,171**	**–1**	**3,170**
	Thereof: Attributable to Munich Reinsurance Company equity holders	3,153	–1	3,152

Changes in the consolidated group

On 1 January 2015, via its subsidiary MR RENT-Investment GmbH, Munich, Munich Re acquired 100% of the voting shares in the solar park companies KS SPV 23 Limited, London, England, and Countryside Renewables (Forest Heath) Limited, London, England, from BayWa r.e. 205. Projektgesellschaft mbH, Gräfelfing, Germany and BayWa r.e. 149. Projektgesellschaft mbH, Gräfelfing, Germany. The solar parks have a total installed capacity of 22.7 megawatts (MW).

On 1 March 2015, via its subsidiary MR RENT-Investment GmbH, Munich, Munich Re acquired 100% of the voting shares in the solar park company Cornwall Power (Polmaugan) Limited, London, England from BayWa r.e. 148. Projektgesellschaft mbH, Gräfelfing, Germany. The solar park has a total installed capacity of 5 MW.

These corporate acquisitions form part of our infrastructure investment programme (including renewable energies and new technologies).

Foreign currency translation

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

Currency translation rates

	Balance sheet		Income statement	
Rate for €1	31.3.2015	31.12.2014	Q1 2015	Q1 2014
Australian dollar	1.40585	1.47865	1.43196	1.52779
Canadian dollar	1.36025	1.40155	1.39583	1.51090
Pound sterling	0.72345	0.77605	0.74388	0.82797
Rand	13.01290	13.99880	13.22830	14.87360
Swiss franc	1.04315	1.20235	1.07446	1.22350
US dollar	1.07400	1.21005	1.12680	1.37039
Yen	128.7990	145.0790	134.2600	140.8670
Yuan Renminbi	6.65840	7.50715	7.02658	8.36070

Segment reporting

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

We have consequently identified six segments to be reported:

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

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

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

Segment assets

€m	Reinsurance Life 31.3.2015	Reinsurance Life 31.12.2014	Reinsurance Property-casualty 31.3.2015	Reinsurance Property-casualty 31.12.2014
A. Intangible assets	**169**	**160**	**2,336**	**2,099**
B. Investments				
I. Land and buildings, including buildings on third-party land	267	252	1,192	1,204
II. Investments in affiliated companies, associates and joint ventures	29	30	985	892
Thereof: Associates and joint ventures accounted for using the equity method	–	6	853	774
Thereof: Held for sale	–	–	27	27
III. Loans	44	40	159	156
IV. Other securities				
1. Held to maturity	–	–	–	–
2. Available for sale	19,793	16,261	61,007	57,512
Thereof: Held for sale	–	–	–	–
3. At fair value through profit or loss	122	77	611	481
	19,915	16,338	61,618	57,993
V. Deposits retained on assumed reinsurance	7,064	7,082	1,481	1,286
VI. Other investments	475	463	1,701	1,359
	27,794	**24,205**	**67,136**	**62,890**
C. Insurance-related investments	**977**	**803**	**46**	**59**
D. Ceded share of technical provisions	**1,231**	**1,129**	**2,236**	**1,966**
E. Other segment assets	**8,024**	**7,268**	**12,069**	**10,473**
Total segment assets	**38,195**	**33,565**	**83,823**	**77,487**

Segment equity and liabilities

€m	Reinsurance Life 31.3.2015	Reinsurance Life 31.12.2014	Reinsurance Property-casualty 31.3.2015	Reinsurance Property-casualty 31.12.2014
A. Subordinated liabilities	**1,159**	**1,122**	**3,266**	**3,235**
B. Gross technical provisions				
I. Unearned premiums	29	24	6,776	5,973
II. Provision for future policy benefits	14,413	13,902	26	26
Thereof: Held for sale	–	–	–	–
III. Provision for outstanding claims	7,366	6,707	43,328	39,868
IV. Other technical provisions	235	220	–148	–123
	22,043	**20,853**	**49,982**	**45,744**
C. Gross technical provisions for unit-linked life insurance contracts	**–**	**–**	**–**	**–**
D. Other accrued liabilities	**191**	**179**	**618**	**550**
E. Other segment liabilities	**7,852**	**7,061**	**12,662**	**11,498**
Total segment liabilities	**31,245**	**29,215**	**66,528**	**61,027**

					ERGO	Munich Health			Total
	Life and Health Germany		Property-casualty Germany		International				
31.3.2015	31.12.2014	31.3.2015	31.12.2014	31.3.2015	31.12.2014	31.3.2015	31.12.2014	31.3.2015	31.12.2014
659	**664**	**971**	**974**	**375**	**375**	**10**	**11**	**4,520**	**4,283**
2,012	2,016	149	140	109	110	9	10	3,738	3,732
328	335	67	70	152	143	113	89	1,674	1,559
263	272	37	35	114	105	101	88	1,368	1,280
–	–	–	–	–	–	–	–	27	27
51,468	52,181	1,676	1,709	446	440	26	24	53,819	54,550
–	–	–	–	–	–	–	–	–	–
48,884	45,591	5,103	4,791	17,189	16,316	3,528	3,372	155,504	143,843
–	–	–	–	–	–	–	79	–	79
1,373	1,159	42	32	430	416	3	4	2,581	2,169
50,257	46,750	5,145	4,823	17,619	16,732	3,531	3,376	158,085	146,012
39	39	6	8	14	14	321	321	8,925	8,750
1,924	1,733	312	170	294	514	110	85	4,816	4,324
106,028	**103,054**	**7,355**	**6,920**	**18,634**	**17,953**	**4,110**	**3,905**	**231,057**	**218,927**
4,817	**4,301**	**–**	**–**	**3,628**	**3,297**	**1**	**1**	**9,469**	**8,461**
8	**8**	**74**	**76**	**1,927**	**1,940**	**181**	**209**	**5,657**	**5,328**
10,458	**10,424**	**2,919**	**2,567**	**3,667**	**3,597**	**1,853**	**1,656**	**38,990**	**35,985**
121,970	**118,451**	**11,319**	**10,537**	**28,231**	**27,162**	**6,155**	**5,782**	**289,693**	**272,984**

					ERGO	Munich Health			Total
	Life and Health Germany		Property-casualty Germany		International				
31.3.2015	31.12.2014	31.3.2015	31.12.2014	31.3.2015	31.12.2014	31.3.2015	31.12.2014	31.3.2015	31.12.2014
–	**–**	**–**	**–**	**25**	**25**	**26**	**31**	**4,476**	**4,413**
224	174	884	443	1,462	1,363	478	396	9,853	8,373
85,215	84,896	430	428	12,405	12,328	1,049	1,068	113,538	112,648
–	–	–	–	–	–	–	48	–	48
2,590	2,653	3,871	3,866	2,289	2,231	1,117	1,037	60,561	56,362
18,959	17,077	104	107	1,196	1,049	203	162	20,549	18,492
106,988	**104,800**	**5,289**	**4,844**	**17,352**	**16,971**	**2,847**	**2,663**	**204,501**	**195,875**
5,264	**4,742**	**–**	**–**	**3,362**	**3,094**	**1**	**1**	**8,627**	**7,837**
1,989	**1,981**	**747**	**759**	**857**	**856**	**152**	**148**	**4,554**	**4,473**
5,902	**5,473**	**1,704**	**1,671**	**3,235**	**3,044**	**1,427**	**1,350**	**32,782**	**30,097**
120,143	**116,996**	**7,740**	**7,274**	**24,831**	**23,990**	**4,453**	**4,193**	**254,940**	**242,695**
						Equity		**34,753**	**30,289**
						Total equity and liabilities		**289,693**	**272,984**

Segment income statement 1.1.–31.3.2015

	Reinsurance			
	Life		Property-casualty	
€m	Q1 2015	Q1 2014	Q1 2015	Q1 2014
Gross premiums written	**2,412**	**2,477**	**4,598**	**4,381**
1. Net earned premiums	2,376	2,362	4,146	4,031
2. Income from technical interest	191	167	339	295
3. Net expenses for claims and benefits	–1,866	–2,091	–2,533	–2,295
4. Net operating expenses	–598	–314	–1,294	–1,209
5. Technical result (1–4)	**103**	**124**	**658**	**822**
6. Investment result	203	181	366	394
7. Insurance-related investment result	–42	–7	28	–27
8. Other operating result	10	13	–38	–22
9. Deduction of income from technical interest	–191	–167	–339	–295
10. Non-technical result (6–9)	**–20**	**20**	**17**	**50**
11. Operating result (5+10)	**83**	**144**	**675**	**872**
12. Other non-operating result, net finance costs and impairment losses of goodwill	–	–19	33	–67
13. Taxes on income	–12	–3	–111	–159
14. Consolidated result (11–13)	**71**	**122**	**597**	**646**

ERGO						Munich Health		Total	
Life and Health Germany		Property-casualty Germany		International					
Q1 2015	Q1 2014	Q1 2015	Q1 2014	Q1 2015	Q1 2014	Q1 2015	Q1 2014	Q1 2015	Q1 2014
2,412	**2,471**	**1,193**	**1,180**	**980**	**914**	**1,443**	**1,501**	**13,038**	**12,924**
2,357	2,427	734	745	892	815	1,355	1,515	11,860	11,895
1,446	1,236	22	24	259	191	10	9	2,267	1,922
-3,338	-3,183	-478	-470	-830	-658	-1,151	-1,274	-10,196	-9,971
-377	-353	-250	-251	-280	-266	-220	-236	-3,019	-2,629
88	**127**	**28**	**48**	**41**	**82**	**-6**	**14**	**912**	**1,217**
1,067	1,157	60	79	85	161	39	20	1,820	1,992
423	52	–	–	170	60	–	–	579	78
-16	-8	-2	-8	-2	-13	-1	–	-49	-38
-1,446	-1,236	-22	-24	-259	-191	-10	-9	-2,267	-1,922
28	**-35**	**36**	**47**	**-6**	**17**	**28**	**11**	**83**	**110**
116	**92**	**64**	**95**	**35**	**99**	**22**	**25**	**995**	**1,327**
-44	-44	-22	-25	-23	-16	2	–	-54	-171
-21	-21	-5	-2	-1	-25	-1	-5	-151	-215
51	**27**	**37**	**68**	**11**	**58**	**23**	**20**	**790**	**941**

Non-current assets by country[1]

€m	31.3.2015	31.12.2014
Germany	7,267	7,268
USA	2,323	2,062
UK	559	489
Sweden	267	262
Austria	233	235
Italy	208	211
Poland	199	192
Netherlands	166	169
France	151	152
Spain	138	139
Switzerland	106	92
Portugal	60	61
Others	268	271
Total	**11,945**	**11,603**

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 2015	Q1 2014
Reinsurance life	24	8
Reinsurance property-casualty	94	54
ERGO Life and Health Germany	8	6
ERGO Property-casualty Germany	13	24
ERGO International	23	38
Munich Health	6	12
Total	**168**	**142**

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.

Gross premiums written

	Reinsurance		ERGO		Munich Health		Total	
€m	Q1 2015	Q1 2014	Q1 2015	Q1 2014	Q1 2015	Q1 2014	Q1 2015	Q1 2014
Europe	2,151	2,104	4,571	4,564	506	547	7,228	7,215
North America	3,339	2,946	2	1	760	820	4,101	3,767
Asia and Australasia	1,067	1,259	11	–	24	32	1,102	1,291
Africa, Middle East	200	179	–	–	151	98	351	277
Latin America	253	370	1	–	2	4	256	374
Total	**7,010**	**6,858**	**4,585**	**4,565**	**1,443**	**1,501**	**13,038**	**12,924**

Notes to the consolidated balance sheet

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

Intangible assets

Development of goodwill

			Reinsurance		Primary insurance	
Goodwill from the acquisition of		Munich Re America		Other		ERGO Insurance Group
€m	Q1 2015	Q1 2014	Q1 2015	Q1 2014	Q1 2015	Q1 2014
Gross carrying amount at 31 Dec. previous year	1,140	1,001	493	440	1,754	1,754
Accumulated impairment losses at 31 Dec. previous year	–	–	-51	-51	-440	–
Carrying amount at 31 Dec. previous year	1,140	1,001	442	389	1,314	1,754
Currency translation differences	145	–	52	–	–	–
Additions	–	–	–	–	–	–
Disposals	–	–	–	–	–	–
Reclassifications	–	–	–	–	–	–
Impairment losses	–	–	–	–	–	–
Carrying amount at 31 March financial year	**1,285**	**1,001**	**494**	**389**	**1,314**	**1,754**
Accumulated impairment losses at 31 March financial year	–	–	-51	-51	-440	–
Gross carrying amount at 31 March financial year	1,285	1,001	545	440	1,754	1,754

→		Primary insurance		Munich Health		Total
Goodwill from the acquisition of		Other		Other		
€m	Q1 2015	Q1 2014	Q1 2015	Q1 2014	Q1 2015	Q1 2014
Gross carrying amount at 31 Dec. previous year	581	557	156	156	4,124	3,908
Accumulated impairment losses at 31 Dec. previous year	-414	-409	-156	-156	-1,061	-616
Carrying amount at 31 Dec. previous year	167	148	–	–	3,063	3,292
Currency translation differences	4	–	–	–	201	–
Additions	–	8	–	–	–	8
Disposals	–	–	–	–	–	–
Reclassifications	–	–	–	–	–	–
Impairment losses	–	–	–	–	–	–
Carrying amount at 31 March financial year	**171**	**156**	**–**	**–**	**3,264**	**3,300**
Accumulated impairment losses at 31 March financial year	-414	-409	-156	-156	-1,061	-616
Gross carrying amount at 31 March financial year	585	565	156	156	4,325	3,916

Breakdown of other intangible assets

€m	31.3.2015	31.12.2014
Acquired insurance portfolios	317	318
Software		
Self-developed	81	82
Other	284	279
Acquired brand names	40	36
Acquired distribution networks/client bases	225	212
Acquired licences/patents	269	253
Other		
Self-developed	–	–
Other	40	40
Total	**1,256**	**1,220**

Investments

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

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

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

Valuation models

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

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

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

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

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

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

At Munich Re, the valuation of variable annuities is performed on a fully market-consistent basis. The inputs requiring consideration in this valuation are derived either directly from market data, in particular volatilities, interest-rate curves and currency spot rates, or from actuarial data, especially biometric and lapse rates. The lapse rates used are modelled dynamically and range between 0.5% and 20%, depending on the specific insurance product and current situation of the capital markets. A 10% increase or decrease in the lapse rates would lead to a change of –/+1% in the fair value of the portfolio. The assumptions with regard to mortality are based on published mortality tables, which are adjusted with a view to the target markets and the actuaries' expectations. The impact of these and other non-observable assumptions is not material. The dependency between different capital market inputs is modelled by correlation matrices. Since inputs not observable on the market were also used in valuation, we allocate these products to Level 3 of the fair value hierarchy.

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

At 31 March 2015, around 12% of the investments measured at fair value were allocated to Level 1 of the fair value hierarchy, 85% to Level 2 and 3% to Level 3.

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

				31.3.2015
€m	Level 1	Level 2	Level 3	Total
Investments in affiliated companies measured at fair value	–	–	300	300
Investments in associates and joint ventures measured at fair value	–	–	6	6
Other securities available for sale				
Fixed-interest	656	136,056	2,445	139,157
Non-fixed-interest	12,402	1,361	2,584	16,347
Other securities at fair value through profit or loss				
Held for trading, and hedging derivatives[1]	310	2,267	–	2,577
Designated as at fair value through profit or loss	–	200	–	200
Other investments	–	10	–	10
Insurance-related investments	5,995	3,344	130	9,469
Total	**19,363**	**143,238**	**5,465**	**168,066**

→				31.12.2014
€m	Level 1	Level 2	Level 3	Total
Investments in affiliated companies measured at fair value	–	–	274	274
Investments in associates and joint ventures measured at fair value	–	–	5	5
Other securities available for sale				
Fixed-interest	736	126,523	2,547	129,806
Non-fixed-interest	10,801	841	2,395	14,037
Other securities at fair value through profit or loss				
Held for trading, and hedging derivatives[1]	252	1,916	–	2,168
Designated as at fair value through profit or loss	–	205	–	205
Other investments	–	10	–	10
Insurance-related investments	4,605	3,747	109	8,461
Total	**16,394**	**133,242**	**5,330**	**154,966**

1 Included are hedging derivatives of €196m (204m) accounted for under "other assets".

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

The 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 2015	Q1 2014	Q1 2015	Q1 2014
Carrying amount at 31 Dec. previous year	274	176	5	9
Gains and losses	17	2	1	–
Gains (losses) recognised in the income statement	2	–	–	–
Gains (losses) recognised in equity	15	2	1	–
Acquisitions	10	23	1	–
Disposals	–12	–12	–1	–1
Transfer to Level 3	11	38	–	–
Transfer out of Level 3	–	–	–	–
Changes in the market value of derivatives	–	–	–	–
Carrying amount at 31 March of the financial year	**300**	**227**	**6**	**8**
Gains (losses) recognised in the income statement that are attributable to investments shown at 31 March of the financial year	–	–	–	–

→

	Other securities available for sale			
	Fixed-interest		Non-fixed-interest	
€m	Q1 2015	Q1 2014	Q1 2015	Q1 2014
Carrying amount at 31 Dec. previous year	2,547	2,777	2,395	2,107
Gains and losses	126	13	130	-8
Gains (losses) recognised in the income statement	3	5	-5	–
Gains (losses) recognised in equity	123	8	135	-8
Acquisitions	215	250	93	30
Disposals	-441	-386	-34	-30
Transfer to Level 3	–	3	–	–
Transfer out of Level 3	-2	-1	–	–
Changes in the market value of derivatives	–	–	–	–
Carrying amount at 31 March of the financial year	**2,445**	**2,656**	**2,584**	**2,099**
Gains (losses) recognised in the income statement that are attributable to investments shown at 31 March of the financial year	2	7	-4	–

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	Held for trading, and hedging derivates		Insurance-related investments		Total	
€m	Q1 2015	Q1 2014	Q1 2015	Q1 2014[1]	Q1 2015	Q1 2014
Carrying amount at 31 Dec. previous year	–	77	109	–	5,330	5,146
Gains and losses	–	34	31	–	305	41
Gains (losses) recognised in the income statement	–	34	16	–	16	39
Gains (losses) recognised in equity	–	–	15	–	289	2
Acquisitions	–	14	–	–	319	317
Disposals	–	-53	-14	–	-502	-482
Transfer to Level 3	–	–	–	–	11	41
Transfer out of Level 3	–	–	–	–	-2	-1
Change in the market value of derivatives	–	1	4	–	4	1
Carrying amount at 31 March of the financial year	–	**73**	**130**	–	**5,465**	5,063
Gains (losses) recognised in the income statement that are attributable to investments shown at 31 March of the financial year	–	6	25	–	23	13

1 Given that the balance sheet structure was changed in 2014, the investments for the first quarter of 2014 are still included in the investments held for trading.

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

Equity

Number of shares in circulation and number of own shares held

	31.3.2015	31.12.2014
Number of shares in circulation	166,979,251	168,515,007
Number of own shares held	5,963,367	4,427,611
Total	**172,942,618**	**172,942,618**

Non-controlling interests

€m	31.3.2015	31.12.2014
Unrealised gains and losses	26	24
Consolidated result	–	18
Other equity	250	229
Total	**276**	**271**

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

Subordinated liabilities

Breakdown of subordinated liabilities

€m	Identification number	A.M. Best	Fitch	Moody's	S&P	31.3.2015	31.12.2014
Munich Reinsurance Company, Munich, 6.25% until 2022, thereafter floating, €900m, Bonds 2012/2042	WKN: A1ML16 ISIN: XS0764278528 Reuters: DE076427852= Bloomberg: MUNRE	a	A	–	A	894	894
Munich Reinsurance Company, Munich, 6.625% until 2022, thereafter floating, £450m, Bonds 2012/2042	WKN: A1ML15 ISIN: XS0764278288 Reuters: DE076427828= Bloomberg: MUNRE	a+	A	–	A	620	578
Munich Reinsurance Company, Munich, 6.00% until 2021, thereafter floating, €1,000m, Bonds 2011/2041	WKN: A1KQYJ ISIN: XS0608392550 Reuters: DE060839255= Bloomberg: MUNRE	a	A	–	A	992	991
Munich Reinsurance Company, Munich, 5.767% until 2017, thereafter floating, €1,349m, Bonds 2007/perpetual	WKN: A0N4EX ISIN: XS0304987042 Reuters: DE030498704= Bloomberg: MUNRE	a	A	A3 (hyb)	A	1,489	1,502
Munich Reinsurance Company, Munich, 7.625% until 2018, thereafter floating, £300m, Bonds 2003/2028	WKN: 843449 ISIN: XS0167260529 Reuters: DE016726052= Bloomberg: MUNRE	a+	A	A2 (hyb)	A	413	385
ERGO Versicherung Aktiengesellschaft, Vienna, secondary market yield on federal government bonds (Austria) +70 BP, €12m[1], Registered bonds 2001/perpetual		–	–	–	–	12	12
ERGO Versicherung Aktiengesellschaft, Vienna, secondary market yield on federal government bonds (Austria) +70 BP, €13m[2], Registered bonds 1998/perpetual		–	–	–	–	13	13
HSB Group Inc., Delaware, LIBOR +91 BP, US$ 76m, Bonds 1997/2027		–	–	–	–	43	38
Total						**4,476**	**4,413**

1 ERGO International AG holds bonds with a nominal value of €3m; the volume outstanding has been reduced accordingly.
2 ERGO Versicherungsgruppe AG holds bonds with a nominal value of €3m; the volume outstanding has been reduced accordingly.

The fair value of the subordinated liabilities at the balance sheet date amounted to €5,184m (5,017m). For the Munich Reinsurance Company bonds, we take the stock market prices as fair values. For the other subordinated liabilities, we determine the fair values using net present value methods with observable market parameters.

Liabilities

Breakdown of bonds and notes issued

€m	Identification number	A.M. Best	Fitch	Moody's	S&P	31.3.2015	31.12.2014
Munich Re America Corporation, Wilmington, 7.45%, US$ 342m, Senior Notes 1996/2026	CUSIP No.: 029163AD4 ISIN, Reuters: – Bloomberg: AMER RE CORP MUNRE	a–	A+	A2	A–	318	282
Total						**318**	**282**

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 €429m (371m).

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

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

				31.3.2015				31.12.2014
€m	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Other liabilities								
Derivatives	131	1,932	298	2,361	96	1,526	276	1,898

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

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

Reconciliation for liabilities allocated to Level 3

	Other liabilities at fair value through profit or loss	
€m	Q1 2015	Q1 2014
Carrying amount at 31 Dec. previous year	276	147
Gains and losses	-43	-46
Gains (losses) recognised in the income statement	-6	-46
Gains (losses) recognised in equity	-37	–
Acquisitions	22	18
Disposals	-47	-45
Transfer to Level 3	–	1
Transfer out of Level 3	–	–
Change in the market value of derivatives	4	1
Carrying amount at 31 March financial year	**298**	**168**
Gains (losses) recognised in the income statement that are attributable to liabilities shown at 31 March of the financial year	-14	-15

Notes to the consolidated income statement

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

Premiums

	Reinsurance			
	Life		Property-casualty	
€m	Q1 2015	Q1 2014	Q1 2015	Q1 2014
Gross premiums written	2,412	2,477	4,598	4,381
Change in unearned premiums – Gross	–3	–3	–272	–200
Gross earned premiums	**2,409**	**2,474**	**4,326**	**4,181**
Ceded premiums written	–34	–112	–281	–248
Change in unearned premiums – Ceded share	1	–	101	98
Earned premiums ceded	**–33**	**–112**	**–180**	**–150**
Net earned premiums	**2,376**	**2,362**	**4,146**	**4,031**

→	ERGO					
	Life and Health Germany		Property-casualty Germany		International	
€m	Q1 2015	Q1 2014	Q1 2015	Q1 2014	Q1 2015	Q1 2014
Gross premiums written	2,412	2,471	1,193	1,180	980	914
Change in unearned premiums – Gross	–50	–38	–442	–422	–30	–46
Gross earned premiums	**2,362**	**2,433**	**751**	**758**	**950**	**868**
Ceded premiums written	–5	1	–18	–11	–72	–69
Change in unearned premiums – Ceded share	–	–7	1	–2	14	16
Earned premiums ceded	**–5**	**–6**	**–17**	**–13**	**–58**	**–53**
Net earned premiums	**2,357**	**2,427**	**734**	**745**	**892**	**815**

→	Munich Health		Total	
€m	Q1 2015	Q1 2014	Q1 2015	Q1 2014
Gross premiums written	1,443	1,501	13,038	12,924
Change in unearned premiums – Gross	–58	58	–855	–651
Gross earned premiums	**1,385**	**1,559**	**12,183**	**12,273**
Ceded premiums written	–20	–40	–430	–479
Change in unearned premiums – Ceded share	–10	–4	107	101
Earned premiums ceded	**–30**	**–44**	**–323**	**–378**
Net earned premiums	**1,355**	**1,515**	**11,860**	**11,895**

Income from technical interest

	Reinsurance			
	Life		Property-casualty	
€m	Q1 2015	Q1 2014	Q1 2015	Q1 2014
Income from technical interest	191	167	339	295

→	ERGO					
	Life and Health Germany		Property-casualty Germany		International	
€m	Q1 2015	Q1 2014	Q1 2015	Q1 2014	Q1 2015	Q1 2014
Income from technical interest	1,446	1,236	22	24	259	191

→	Munich Health		Total	
€m	Q1 2015	Q1 2014	Q1 2015	Q1 2014
Income from technical interest	10	9	2,267	1,922

Expenses for claims and benefits

	Reinsurance			
	Life		Property-casualty	
€m	Q1 2015	Q1 2014	Q1 2015	Q1 2014
Gross				
Claims and benefits paid	–1,829	–1,987	–2,294	–2,643
Changes in technical provisions				
Provision for future policy benefits	111	–9	–	1
Provision for outstanding claims	–187	–154	–371	325
Provision for premium refunds	–	–	–1	–
Other technical result	1	–	–1	–
Gross expenses for claims and benefits	**–1,904**	**–2,150**	**–2,667**	**–2,317**
Ceded share				
Claims and benefits paid	50	94	129	86
Changes in technical provisions				
Provision for future policy benefits	–8	–14	–	–
Provision for outstanding claims	–1	–7	4	–64
Provision for premium refunds	–	–	–	–
Other technical result	–3	–14	1	–
Expenses for claims and benefits – Ceded share	**38**	**59**	**134**	**22**
Net				
Claims and benefits paid	–1,779	–1,893	–2,165	–2,557
Changes in technical provisions				
Provision for future policy benefits	103	–23	–	1
Provision for outstanding claims	–188	–161	–367	261
Provision for premium refunds	–	–	–1	–
Other technical result	–2	–14	–	–
Net expenses for claims and benefits	**–1,866**	**–2,091**	**–2,533**	**–2,295**

	ERGO					
	Life and Health Germany		Property-casualty Germany		International	
€m	Q1 2015	Q1 2014	Q1 2015	Q1 2014	Q1 2015	Q1 2014
Gross						
Claims and benefits paid	-2,356	-2,354	-463	-495	-659	-601
Changes in technical provisions						
Provision for future policy benefits	-605	-298	-2	-2	-279	-132
Provision for outstanding claims	63	147	-4	34	10	7
Provision for premium refunds	-404	-633	-4	-5	72	47
Other technical result	-38	-50	-4	-3	2	2
Gross expenses for claims and benefits	**-3,340**	**-3,188**	**-477**	**-471**	**-854**	**-677**
Ceded share						
Claims and benefits paid	1	7	2	1	75	67
Changes in technical provisions						
Provision for future policy benefits	1	–	–	–	-25	-23
Provision for outstanding claims	–	-2	-4	1	-11	-8
Provision for premium refunds	–	–	1	-1	–	–
Other technical result	–	–	–	–	-15	-17
Expenses for claims and benefits – Ceded share	**2**	**5**	**-1**	**1**	**24**	**19**
Net						
Claims and benefits paid	-2,355	-2,347	-461	-494	-584	-534
Changes in technical provisions						
Provision for future policy benefits	-604	-298	-2	-2	-304	-155
Provision for outstanding claims	63	145	-8	35	-1	-1
Provision for premium refunds	-404	-633	-3	-6	72	47
Other technical result	-38	-50	-4	-3	-13	-15
Net expenses for claims and benefits	**-3,338**	**-3,183**	**-478**	**-470**	**-830**	**-658**

Continued on next page

	Munich Health		Total	
€m	Q1 2015	Q1 2014	Q1 2015	Q1 2014
Gross				
Claims and benefits paid	-1,082	-1,227	-8,683	-9,307
Changes in technical provisions				
Provision for future policy benefits	-29	-25	-804	-465
Provision for outstanding claims	-25	-44	-514	315
Provision for premium refunds	–	–	-337	-591
Other technical result	-2	–	-42	-51
Gross expenses for claims and benefits	**-1,138**	**-1,296**	**-10,380**	**-10,099**
Ceded share				
Claims and benefits paid	19	12	276	267
Changes in technical provisions				
Provision for future policy benefits	–	–	-32	-37
Provision for outstanding claims	-32	10	-44	-70
Provision for premium refunds	–	–	1	-1
Other technical result	–	–	-17	-31
Expenses for claims and benefits – Ceded share	**-13**	**22**	**184**	**128**
Net				
Claims and benefits paid	-1,063	-1,215	-8,407	-9,040
Changes in technical provisions				
Provision for future policy benefits	-29	-25	-836	-502
Provision for outstanding claims	-57	-34	-558	245
Provision for premium refunds	–	–	-336	-592
Other technical result	-2	–	-59	-82
Net expenses for claims and benefits	**-1,151**	**-1,274**	**-10,196**	**-9,971**

Operating expenses

	Reinsurance			
	Life		Property-casualty	
€m	Q1 2015	Q1 2014	Q1 2015	Q1 2014
Acquisition costs, profit commission and reinsurance commission paid	-478	-268	-1,042	-985
Administrative expenses	-85	-69	-329	-289
Change in deferred acquisition costs and contingent commissions, amortisation and impairment losses of acquired insurance portfolios	-38	-13	52	50
Gross operating expenses	**-601**	**-350**	**-1,319**	**-1,224**
Ceded share of acquisition costs, profit commission and reinsurance commission paid	5	36	28	17
Ceded share of change in deferred acquisition costs and contingent commissions	-2	–	-3	-2
Operating expenses – Ceded share	**3**	**36**	**25**	**15**
Net operating expenses	**-598**	**-314**	**-1,294**	**-1,209**

	ERGO					
	Life and Health Germany		Property-casualty Germany		International	
€m	Q1 2015	Q1 2014	Q1 2015	Q1 2014	Q1 2015	Q1 2014
Acquisition costs, profit commission and reinsurance commission paid	-238	-221	-129	-122	-231	-241
Administrative expenses	-95	-92	-136	-132	-67	-65
Change in deferred acquisition costs and contingent commissions, amortisation and impairment losses of acquired insurance portfolios	-45	-40	20	10	9	33
Gross operating expenses	**-378**	**-353**	**-245**	**-244**	**-289**	**-273**
Ceded share of acquisition costs, profit commission and reinsurance commission paid	1	-1	-5	-7	10	10
Ceded share of change in deferred acquisition costs and contingent commissions	–	1	–	–	-1	-3
Operating expenses – Ceded share	**1**	**–**	**-5**	**-7**	**9**	**7**
Net operating expenses	**-377**	**-353**	**-250**	**-251**	**-280**	**-266**

	Munich Health		Total	
€m	Q1 2015	Q1 2014	Q1 2015	Q1 2014
Acquisition costs, profit commission and reinsurance commission paid	-166	-167	-2,284	-2,004
Administrative expenses	-29	-23	-741	-670
Change in deferred acquisition costs and contingent commissions, amortisation and impairment losses of acquired insurance portfolios	-33	-60	-35	-20
Gross operating expenses	**-228**	**-250**	**-3,060**	**-2,694**
Ceded share of acquisition costs, profit commission and reinsurance commission paid	5	13	44	68
Ceded share of change in deferred acquisition costs and contingent commissions	3	1	-3	-3
Operating expenses – Ceded share	**8**	**14**	**41**	**65**
Net operating expenses	**-220**	**-236**	**-3,019**	**-2,629**

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

	Reinsurance			
	Life		Property-casualty	
€m	Q1 2015	Q1 2014	Q1 2015	Q1 2014
Land and buildings, including buildings on third-party land	5	4	24	23
Investments in affiliated companies	–	–	–	–
Investments in associates and joint ventures	–	–	31	7
Loans	–	1	2	4
Other securities held to maturity	–	–	–	–
Other securities available for sale				
Fixed-interest	193	125	575	414
Non-fixed-interest	42	20	188	97
Other securities at fair value through profit or loss				
Held for trading				
Fixed-interest	–	–	–	–
Non-fixed-interest	–	–	2	1
Derivatives	-96	-31	-425	-151
Designated as at fair value through profit or loss				
Fixed-interest	–	–	–	–
Non-fixed-interest	–	–	–	–
Deposits retained on assumed reinsurance, and other investments	70	71	10	33
Expenses for the management of investments, other expenses	-11	-9	-41	-34
Total	203	181	366	394

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	ERGO					
	Life and Health Germany		Property-casualty Germany		International	
€m	Q1 2015	Q1 2014	Q1 2015	Q1 2014	Q1 2015	Q1 2014
Land and buildings, including buildings on third-party land	43	37	2	2	1	5
Investments in affiliated companies	-2	-2	–	-1	–	–
Investments in associates and joint ventures	5	2	3	2	-4	–
Loans	476	652	-11	16	4	4
Other securities held to maturity	–	–	–	–	–	–
Other securities available for sale						
Fixed-interest	568	386	39	35	81	121
Non-fixed-interest	114	35	64	34	28	12
Other securities at fair value through profit or loss						
Held for trading						
Fixed-interest	–	–	–	–	–	–
Non-fixed-interest	–	–	–	–	–	–
Derivatives	-87	93	-33	-6	-30	16
Designated as at fair value through profit or loss						
Fixed-interest	–	–	–	–	9	8
Non-fixed-interest	–	–	–	–	–	–
Deposits retained on assumed reinsurance, and other investments	–	1	–	–	3	2
Expenses for the management of investments, other expenses	-50	-47	-4	-3	-7	-7
Total	1,067	1,157	60	79	85	161

→	Munich Health		Total	
€m	Q1 2015	Q1 2014	Q1 2015	Q1 2014
Land and buildings, including buildings on third-party land	–	–	75	71
Investments in affiliated companies	4	–	2	-3
Investments in associates and joint ventures	5	-6	40	5
Loans	–	–	471	677
Other securities held to maturity	–	–	–	–
Other securities available for sale				
Fixed-interest	30	27	1,486	1,108
Non-fixed-interest	–	–	436	198
Other securities at fair value through profit or loss				
Held for trading				
Fixed-interest	–	–	–	–
Non-fixed-interest	–	–	2	1
Derivatives	–	–	-671	-79
Designated as at fair value through profit or loss				
Fixed-interest	–	–	9	8
Non-fixed-interest	–	–	–	–
Deposits retained on assumed reinsurance, and other investments	–	–	83	107
Expenses for the management of investments, other expenses	–	-1	-113	-101
Total	39	20	1,820	1,992

Investment income by segment (before deduction of income from technical interest)

	Reinsurance			
	Life		Property-casualty	
€m	Q1 2015	Q1 2014	Q1 2015	Q1 2014
Regular income	223	186	466	388
Thereof: Interest income	202	169	336	294
Write-ups of non-derivative investments	–	4	3	20
Gains on the disposal of non-derivative investments	113	53	487	288
Write-ups and gains on the disposal of derivatives	131	66	581	317
Other income	–	–	–	–
Total	**467**	**309**	**1,537**	**1,013**

→	ERGO					
	Life and Health Germany		Property-casualty Germany		International	
€m	Q1 2015	Q1 2014	Q1 2015	Q1 2014	Q1 2015	Q1 2014
Regular income	922	935	49	46	117	128
Thereof: Interest income	833	867	32	38	117	120
Write-ups of non-derivative investments	15	5	–	–	11	8
Gains on the disposal of non-derivative investments	375	215	80	50	34	20
Write-ups and gains on the disposal of derivatives	237	171	36	21	26	28
Other income	–	–	–	–	–	–
Total	**1,549**	**1,326**	**165**	**117**	**188**	**184**

→	Munich Health		Total	
€m	Q1 2015	Q1 2014	Q1 2015	Q1 2014
Regular income	24	14	1,801	1,697
Thereof: Interest income	19	20	1,539	1,508
Write-ups of non-derivative investments	–	–	29	37
Gains on the disposal of non-derivative investments	29	8	1,118	634
Write-ups and gains on the disposal of derivatives	1	–	1,012	603
Other income	–	–	–	–
Total	**54**	**22**	**3,960**	**2,971**

Investment expenses by segment (before deduction of income from technical interest)

	Reinsurance			
	Life		Property-casualty	
€m	Q1 2015	Q1 2014	Q1 2015	Q1 2014
Write-downs of non-derivative investments	-8	-5	-37	-25
Losses on the disposal of non-derivative investments	-14	-17	-71	-91
Write-downs of and losses on the disposal of derivatives	-230	-97	-1,018	-464
Management expenses, interest charges and other expenses	-12	-9	-45	-39
Thereof: Interest charges	–	–	-2	-2
Total	**-264**	**-128**	**-1,171**	**-619**

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	ERGO					
	Life and Health Germany		Property-casualty Germany		International	
€m	Q1 2015	Q1 2014	Q1 2015	Q1 2014	Q1 2015	Q1 2014
Write-downs of non-derivative investments	-74	-16	-27	-3	-34	-3
Losses on the disposal of non-derivative investments	-14	-4	-5	-4	-3	–
Write-downs of and losses on the disposal of derivatives	-341	-98	-70	-27	-59	-13
Management expenses, interest charges and other expenses	-53	-51	-3	-4	-7	-7
Thereof: Interest charges	-1	-1	–	–	–	–
Total	**-482**	**-169**	**-105**	**-38**	**-103**	**-23**

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	Munich Health		Total	
€m	Q1 2015	Q1 2014	Q1 2015	Q1 2014
Write-downs of non-derivative investments	–	–	-180	-52
Losses on the disposal of non-derivative investments	-14	-1	-121	-117
Write-downs of and losses on the disposal of derivatives	–	–	-1,718	-699
Management expenses, interest charges and other expenses	-1	-1	-121	-111
Thereof: Interest income	–	–	-3	-3
Total	**-15**	**-2**	**-2,140**	**-979**

Result from insurance-related investments

€m	Q1 2015	Q1 2014
Investments for unit-linked life insurance contracts	596	111
Other insurance-related investments	-17	-33
Total	**579**	**78**

Other operating result

	Reinsurance			
	Life		Property-casualty	
€m	Q1 2015	Q1 2014	Q1 2015	Q1 2014
Other operating income	29	31	67	54
Thereof:				
Interest income	19	19	–	3
Write-ups of other operating assets	–	–	2	–
Other operating expenses	-19	-18	-105	-76
Thereof:				
Interest charges	-3	-2	-9	-6
Write-downs of other operating assets	–	–	-1	-1

→

	ERGO					
	Life and Health Germany		Property-casualty Germany		International	
€m	Q1 2015	Q1 2014	Q1 2015	Q1 2014	Q1 2015	Q1 2014
Other operating income	24	31	13	17	33	31
Thereof:						
Interest income	1	1	–	1	1	–
Write-ups of other operating assets	–	–	1	3	–	–
Other operating expenses	-40	-39	-15	-25	-35	-44
Thereof:						
Interest charges	-10	-12	-3	-3	-2	-3
Write-downs of other operating assets	-2	-2	–	-3	-4	-4

→

	Munich Health		Total	
€m	Q1 2015	Q1 2014	Q1 2015	Q1 2014
Other operating income	13	13	179	177
Thereof:				
Interest income	1	1	22	25
Write-ups of other operating assets	1	–	4	3
Other operating expenses	-14	-13	-228	-215
Thereof:				
Interest charges	-1	-3	-28	-29
Write-downs of other operating assets	-1	–	-8	-10

Other operating income mainly comprises income of €128m (116m) from services rendered, interest and similar income of €22m (25m), income of €8m (21m) from the release/reduction of miscellaneous provisions and provisions for bad and doubtful debts, and income of €7m (8m) from owner-occupied property, some of which is also leased out.

In addition to expenses of –€99m (–89m) for services rendered, other operating expenses chiefly include interest charges and similar expenses of –€28m (–29m), other write-downs of –€7m (–8m), and other tax of –€30m (–24m). They also contain expenses of –€3m (–3m) for owner-occupied property, some of which is also leased out.

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

	Reinsurance			
	Life		Property-casualty	
€m	Q1 2015	Q1 2014	Q1 2015	Q1 2014
Other non-operating income	437	123	1,289	238
Other non-operating expenses	–427	–133	–1,224	–276
Impairment losses of goodwill	–	–	–	–
Net finance costs	–10	–9	–32	–29

→	ERGO					
	Life and Health Germany		Property-casualty Germany		International	
€m	Q1 2015	Q1 2014	Q1 2015	Q1 2014	Q1 2015	Q1 2014
Other non-operating income	372	91	144	35	11	46
Other non-operating expenses	–409	–127	–162	–57	–27	–55
Impairment losses of goodwill	–	–	–	–	–	–
Net finance costs	–7	–8	–4	–3	–7	–7

→	Munich Health		Total	
€m	Q1 2015	Q1 2014	Q1 2015	Q1 2014
Other non-operating income	13	5	2,266	538
Other non-operating expenses	–11	–5	–2,260	–653
Impairment losses of goodwill	–	–	–	–
Net finance costs	–	–	–60	–56

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

Besides foreign currency exchange gains of €2,244m (509m), the other non-operating income contains other non-technical income of €22m (29m).

Besides foreign-currency exchange losses of –€2,178m (–559m), the other non-operating expenses comprise write-downs of –€14m (–16m) on other intangible assets, and other non-technical expenses of –€68m (–78m), such as restructuring expenses and other amounts that cannot be allocated elsewhere.

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

In the first quarter of 2015, Munich Health Holding AG, Munich, sold its shares in the fully consolidated company DKV Luxembourg S.A., Luxembourg. The sales price was in the low double-digit million euro range. The sale had an impact of around –€3m on our consolidated result.

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 31 March 2015 totalled 21,761 (21,899) in Germany and 21,066 (21,417) in other countries.

Number of staff

	31.3.2015	31.12.2014
Reinsurance	11,874	11,749
ERGO	28,485	28,560
Munich Health	2,468	3,007
Total	**42,827**	**43,316**

Contingent liabilities, other financial commitments

In comparison with the situation at 31 December 2014, 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 for the calculation of earnings per share were not present either in the current reporting period or in the same period last year. Earnings per share can be potentially diluted in future through the issue of shares or subscription rights from amounts authorised for increasing the share capital and from contingent capital.

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

Earnings per share[1]

		Q1 2015	Q1 2014
Consolidated result attributable to Munich Reinsurance Company equity holders	€m	790	936
Weighted average number of outstanding shares		167,725,390	175,501,084
Earnings per share	€	4.71	5.33

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

Events after the balance sheet date

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

Drawn up and released for publication, Munich, 6 May 2015.

The Board of Management

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Important dates 2015

6 August 2015
Interim report as at 30 June 2015

6 August 2015
Half-year press conference

5 November 2015
Interim report as at 30 September 2015

Important dates 2016

16 March 2016
Balance sheet press conference
for 2015 consolidated financial statements

27 April 2016
Annual General Meeting

10 May 2016
Interim report as at 31 March 2016

9 August 2016
Interim report as at 30 June 2016

9 August 2016
Half-year press conference

9 November 2016
Interim report as at 30 September 2016

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