1/2009

Munich Re Group
Quarterly Report

Münchener Rück
Munich Re Group

Supervisory Board

Dr. Hans-Jürgen Schinzler
(Chairman)

Board of Management

Dr. Nikolaus von Bomhard
(Chairman)
Dr. Ludger Arnoldussen
Dr. Thomas Blunck
Georg Daschner
Dr. Torsten Jeworrek
Dr. Peter Röder
Dr. Jörg Schneider
Dr. Wolfgang Strassl
Dr. Joachim Wenning

Key figures (IFRS)

Munich Re Group[1]

		Q1 2009	Q1 2008	Change %
Gross premiums written	€m	10,367	9,842	5.3
Technical result	€m	551	603	–8.6
Investment result	€m	1,365	1,675	–18.5
Operating result	€m	746	1,193	–37.5
Taxes on income	€m	259	277	–6.5
Consolidated result	€m	420	777	–45.9
Thereof attributable to minority interests	€m	5	10	–50.0
Earnings per share	€	2.12	3.75	–43.5
Combined ratio				
Reinsurance property-casualty	%	97.3	103.7	
Primary insurance property-casualty	%	96.3	87.8	

[1] Previous year's figures adjusted owing to first-time application of IFRS 8.

		31.3.2009	31.12.2008	Change %
Investments	€m	177,039	174,977	1.2
Equity	€m	21,663	21,256	1.9
Net technical provisions	€m	160,715	157,171	2.3
Employees		47,220	44,209	6.8
Share price	€	91.80	111.00	–17.3
Munich Re's market capitalisation[2]	€bn	18.9	22.9	–17.3

[2] This includes own shares earmarked for retirement.

To our shareholders

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

Dear Shareholders,

Although in the midst of the crisis, we are presenting a solid quarterly result to you. After the two previous quarters, we are clearly back on the fairway in terms of profit. The crisis-induced decline in the investment result means that we have not yet returned to the level we aim to achieve in normal times. We do not expect this crisis and the associated severe recession to be overcome quickly, so we will not be able to count on things being normal again for some time to come.

In the first quarter, important indicators for the economy and consumer confidence sank to historical lows. Subsequently, the stock markets also fell appreciably, reaching multi-year lows at the beginning of March. At an early stage in the crisis, we had greatly reduced our risks from equity investments through disposals or by means of suitable hedging instruments, so this development had only a comparatively moderate effect on us. Nevertheless, our investment result was not left unscathed by the consequences of the crisis – in parts of our fixed-interest portfolio, we had to absorb substantial impairment losses.

For you as shareholders, it is important that we continue to attach the highest importance to maximum transparency in presenting our assets and results. If we determine that there have been impairments in our investments or, for example, in the goodwill recognised, we reflect these straight away in our accounts. We have again refrained from availing ourselves of the relaxations in accounting requirements lately made possible by the relevant standard-setters.

What is certainly pleasing is that our equity capital has risen by €400m since the beginning of the year. In an industry that gives its clients the promise of security, this fact is of particular value, as recognised by the rating agencies: the capital strength of companies is given an even stronger weighting, which is then reflected in differentiated ratings.

We can and will deploy our capital strength judiciously in the crisis with a view to developing our three fields of business further. This applies especially to the increasing opportunities now arising for organic growth in reinsurance. We do not rule out acquisitions, but we will continue to proceed selectively and prudently in this area.

In reinsurance business, we are not yet fully satisfied. Unfortunately, prices, terms and conditions have still not hardened on a broad front. There is clearly an upward trend, but so far price increases have been limited to particularly exposed lines of business, individual regions and natural hazard covers. In the treaty renewals at the turn of the year and at 1 April 2009, we therefore withdrew from business that did not meet our pricing requirements, especially in view of the much lower interest rates and a reduction in capacity supply. These withdrawals often concerned long-tail business. In addition, we terminated business where we considered this necessary with a view to the development of the crisis, e.g. D&O covers.

On the other hand, in both renewal rounds, we were able to take advantage of some very interesting opportunities to profitably expand our portfolio. In the renewals at 1 July 2009, which primarily involve clients in the USA, Latin America and Australia, substantial demand for natural hazard covers will come up against a reduced supply of capacity. We therefore expect an accelerated hardening of the market.

We are already experiencing a pronounced demand for reinsurance as a capital substitute in the life and health reinsurance segment, where we have been able to conclude some large new treaties. This business will mainly be reflected in the accounts as from the second quarter and as a whole leads to an appreciably higher premium forecast for the current year.

The primary insurance result was still significantly affected by crisis-related burdens in the first quarter. The value of the derivatives we had used to hedge against the reinvestment risk in the event of strongly falling interest rates showed a decline owing to rising interest rates at the end of the quarter. Together with our consistent approach in valuing goodwill, this had a major impact on our net result.

ERGO has been less badly hit by the effects of the crisis than some competitors and much less badly than in the last crisis. We are therefore satisfied overall with the development of our primary insurance business, which is so important for the Group. In recent years, ERGO has invested a great deal in risk management, value-based management, and cost efficiency. However, we will only be able to harvest the fruits of these efforts over time.

The current challenges must be seen in relation to important positive aspects in the medium term, particularly in life and health. The public's need for care and provision is steadily rising and increasingly has to be financed privately. This is especially true in the regions covered by ERGO's strategy. Confidence in products outside the insurance industry for saving and retirement provision has been shaken by the financial crisis. We expect that traditional life and annuity insurance with guarantees worthy of the name will become considerably more attractive again in the foreseeable future, particularly in comparison with bank products.

ERGO is making pleasing progress in international business. A patient approach is crucial here – we are implementing our strategy with a proper sense of proportion. It is not always helpful to be present among the first foreign insurers in important potential markets. Sometimes it is advantageous not to enter a new market until the "second wave", when market forces and consumers can be better assessed.

A good example of this approach is our joint venture with the Indian HDFC Group in property-casualty insurance, which is proceeding well and according to plan. Last year, we also signed an agreement in India for the establishment of a life insurance joint venture. In the light of the financial crisis, however, our partner – the HERO Group – wishes to shelve these plans and concentrate on its core business. We respect this decision, but our belief in the opportunities this significant market offer us is undiminished. We will therefore be pursuing our plans in life insurance there further, not unnerved by the delay. After very careful preparation, we also intend to present an ERGO joint-venture partner in China to you soon.

A brief word on our third field of business alongside primary insurance and reinsurance. International health business is among the most rapidly expanding markets worldwide, with extraordinary potential for sustainable and profitable growth, also for our Group. At the beginning of the year, we transformed International Health from a virtual to a fully-fledged business field. With its own management, it now operates under the name of Munich Health, offering a broad range of insurance and reinsurance solutions, along with other services, and combining local and international expertise. Although its current business volume is not yet sufficient to qualify as a separate segment in our accounts, Munich Health is a significant member of the Munich Re Group.

The uncertainties from the economic crisis remain for the immediate future, both in underwriting business and in investments. Our RORAC target of 15% after tax is considerably more ambitious today than it was just a few months ago. This applies particularly in view of the much lower risk-free market interest rates. We are nevertheless convinced of our business model's potential for sustained profitability, so we are adhering to our target. With risk-based capital as the main basis for our return target, there is no reason for anyone in the Group to take unreasonable risks.

That is the approach you are used to from Munich Re and rightly expect from us.

Yours sincerely,

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

Interim management report

Key parameters

- Sharp recession in the USA, Europe and Japan
- Financial sector still not stabilised
- Lowering of interest rates and unconventional monetary-policy measures by central banks
- Extensive government packages to shore up the financial system and the real economy

The first quarter of 2009 was dominated by reports of a rapid and strong contraction in economic activity and increasingly pessimistic forecasts for the development of the global economy. The continuing financial crisis has triggered the severest recession since 1945 in most industrial nations and caused a marked cooling of the economies of many emerging countries. Several central banks have meanwhile lowered their interest rates to nearly zero and are resorting to unconventional means to stimulate the provision of credit and thus investment and consumption. In the period under review, many governments made further efforts to overcome the crisis of confidence in the financial system by giving guarantees, recapitalising or assuming risk positions, and to bolster the real economy with further support packages. Whereas in 2008 inflation rates had risen and fallen rapidly owing to the turbulent development of the oil price, in the period under review price levels remained relatively stable. In some countries, the recession led to deflationary trends.

According to a provisional estimate, in the first quarter of 2009 the US economy shrank at an annualised real rate of 6.1% compared with the previous quarter. Economic activity in the USA had already declined more strongly in the fourth quarter of 2008 than at any time since 1982, owing to falling consumption and exports, with negative growth of –6.3% (also annualised and compared with the previous quarter). The number of unemployed increased by nearly two million to 13.2 million in the period under review, causing a corresponding jump in the unemployment rate to 8.5%. Lower food and energy prices resulted in a 0.4% year-on-year reduction in the US consumer price index in March, the first 12-month decline since August 1955.

After the decrease in economic output had accelerated in the eurozone in the fourth quarter of 2008, record lows in the confidence indicators for consumers, the manufacturing industry and the services sector in the first quarter of 2009 signalled that the recession is likely to persist for some time. The global downturn has hit Germany's export-oriented economy particularly hard: production in the German manufacturing sector fell by 7.5% in January compared with December, again decreasing at a higher rate than in the preceding months. The eurozone's annual inflation rate in March was a low 0.6%, compared with 3.6% only one year before.

The Japanese economy is also reliant on exports and thus badly affected by the global crisis. From October to December 2008, economic output dropped by 4.3% compared with the previous quarter. In the period under review, Japan's exports showed a sharp reduction and were 45.6% lower in March 2009 than in the same month last year.

The financial crisis has also affected economic growth in numerous emerging countries. Many economies in eastern Europe which had grown strongly in recent years were plunged into recession by the outflow of foreign capital and the lack of demand from the eurozone. Support from the International Monetary Fund was extended to Belarus, Serbia and Armenia in the period under review, and Romania has obtained a corresponding promise of support. In China, economic growth also suffered considerably from the global crisis, but domestic demand still proved to be relatively robust.

In the reporting period, the US Federal Reserve and the Bank of Japan kept the target rates they had introduced in December at 0–0.25% and 0.1% respectively. The European Central Bank lowered its reference interest rate in the first quarter in two stages from 2.5% to 1.5%, and most recently in April to 1.25%, whilst the Bank of England also reduced its key interest rate in two steps from 1.5% to 0.5%. With the low-interest policy showing scarcely any impact on the capital markets to date, several central banks have resorted to further drastic and unprecedented means to provide the economy with liquidity, such as buying government bonds or short-term loan notes directly from companies.

The euro initially fell from US$ 1.39 to US$ 1.25 in the period under review. By the end of the quarter, it had recovered to US$ 1.33. This was significantly due to the US Federal Reserve's announcement on 18 March that it intended to buy up long-term US government bonds with a volume of up to US$ 300bn. As a result, yields on ten-year US government bonds plunged by 51 basis points within the course of one day. At 31 March, yields on US ten-year government bonds stood at 3.3% and those on German government bonds at 2.8%, which was slightly higher than at the beginning of the year.

The stock markets in the USA, Europe and Japan lost considerable ground in the first quarter of 2009. The Dow Jones closed at 7,609 points on 31 March, approximately 13% down on the beginning of the quarter, whilst the EURO STOXX 50 lost around 15% in the same period, closing at 2,071 points. The Nikkei, which finished the quarter on 8,110 points, showed a comparatively small decrease of a good 8%. At the end of the period under review, the markets rallied after recording several multi-year lows since the beginning of March. The oil price in this period was far below the record highs of summer 2008 and generally remained within a range of US$ 40–45. Despite the continuing recession, it rose above US$ 50 in the second half of March, reasons being the relatively weak dollar and the recovery on the international stock markets.

The economic outlook for the rest of 2009 and for 2010 is extremely uncertain. For 2009, we expect a global recession, since economic activity in many countries is markedly and rapidly declining. An economic recovery – accompanied by a revival of inflation – appears possible at the end of 2009 or in the course of next year. However, the preconditions for this are that the financial system stabilises, the credit crunch eases, and the government economic programmes work. Should the desired effects not be realised, there is the risk of prolonged stagnation or recession in many economies. This scenario also harbours the risk of deflation.

Business experience from 1 January to 31 March 2009

Overview

In view of the difficult macroeconomic parameters, the Munich Re Group's business performed satisfactorily in the first quarter of 2009, with growth of 5.3% in gross premium income, an operating result of €746m, and a quarterly profit of €420m. However, the investment result in particular – with an annualised return of 3.1% on the average market value of our investment portfolio – suffered appreciably from the financial crisis. The annualised return on risk-adjusted capital (RORAC) totalled 9.8%, whilst the return on equity (RoE) amounted to 7.8%.

Our 2008/2009 share buy-back programme, which ran until the Annual General Meeting on 22 April 2009 and had a volume of €1bn, was concluded as planned in March 2009. In the first quarter of 2009, Munich Reinsurance Company bought back subordinated liabilities with a nominal volume of €207m.

As from the financial year 2009, we are changing the presentation of our figures slightly, in line with the new accounting standard IFRS 8, Operating Segments. Firstly, we are clarifying the sources of the profit shown in the income statement by splitting the operating result into the two components "technical result" and "non-technical result". Furthermore, an interest component is being allocated to the underwriting business in the form of "income from technical interest". This derives from the interest earned on technical provisions and the entitlement of policyholders to portions of the non-technical result. Further explanations are provided in the notes to the consolidated financial statements on page 48.

Secondly, in accordance with IFRS 8, we are gearing the breakdown of our business segments for the segment reporting more closely to our internal reporting and management structure. The Munich Re Group's reinsurance segment comprises the operations of our business field of reinsurance, which contains not only property-casualty and life reinsurance but also the companies with other business models, such as our specialty primary insurers managed from within the reinsurance organisation and managing general agents. The segment also includes health reinsurance and our specialised insurers in international health primary insurance that are managed from within reinsurance. Together with the international health primary insurance conducted by ERGO, these operations form our business field of International Health, which has recently been launched under the brand name of Munich Health but which we do not disclose as a separate business segment yet owing to its current relatively small size. Pursuant to IFRS 8, the business of the Watkins Syndicate is now shown in the reinsurance segment (based on internal management), rather than in the primary insurance segment, as in our past segmentation as per IAS 14, Segment Reporting.

After the transfer of Europäische Reiseversicherung and Mercur Assistance (Mercur) to the ERGO Insurance Group as at 1 January 2009 and the recognition of the Watkins Syndicate in the reinsurance segment, our primary insurance segment now corresponds to the business conducted by the ERGO Group, including its international health primary insurers belonging to the business field of Munich Health. With ERGO, the Munich Re Group can cover the entire value chain in the risk market. We can leverage synergies, and also reduce the risk-based capital required in the Group through improved diversification. The first-time application of IFRS 8 has led to changes in disclosure within the primary insurance business segment as well. We now show life and health primary insurance as individual segments, owing to their significant volume and their separate management. Also, following their transfer to ERGO, Europäische Reiseversicherung and Mercur are no longer included in the property-casualty primary insurance segment but in the health primary insurance segment.

Reinsurance

- Satisfactory treaty renewals as at 1 January 2009; further price increases expected
- Combined ratio of 97.3%
- Investment result of €0.9bn impacted by financial crisis
- Consolidated result of €0.7bn

Key reinsurance figures[1]

		Q1 2009	Q1 2008[2]
Gross premiums written	€bn	5.9	5.6
Loss ratio property-casualty	%	68.9	74.8
Expense ratio property-casualty	%	28.4	28.9
Combined ratio property-casualty	%	97.3	103.7
Thereof natural catastrophes	Percentage points	5.6	10.7
Technical result	€m	315	303
Investment result	€m	888	993
Operating result	€m	851	844
Consolidated result	€m	665	579
Thereof attributable to minority interests	€m	–	–

		31.3.2009	31.12.2008
Investments	€bn	80.2	78.4
Net technical provisions	€bn	58.5	55.8

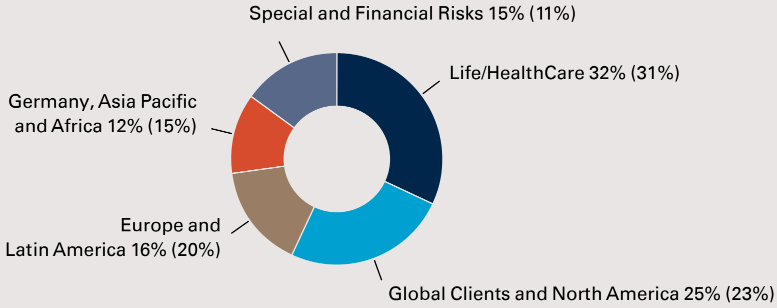
[1] Previous year's figures adjusted owing to first-time application of IFRS 8.
[2] Adjusted pursuant to IAS 8.

The Munich Re Group's reinsurance business performed satisfactorily overall in the first quarter of 2009, as evidenced by the **consolidated result** of €665m (579m). The operating result totalled €851m (844m). Thanks to our widely diversified profitable book of business and the lower number of major losses, our technical result in reinsurance for the period under review was satisfactory at €315m (303m), with income from technical interest accounting for €358m (494m). Our well-balanced investment policy enabled us to post a solid investment result of €888m (993m) in reinsurance, despite the turbulence on the financial markets.

By systematically developing our international business, we are further enhancing Munich Re's earnings potential. With the acquisition of the **Hartford Steam Boiler Group** (HSB Group), which was agreed in December 2008 and concluded at the end of the first quarter of 2009, we consistently pursued our US strategy of expanding our business further in profitable and highly specialised niche segments. The core of the HSB Group is Hartford Steam Boiler Inspection and Insurance Company (HSB). Headquartered in Hartford, Connecticut, it is one of the largest insurance and inspection companies specialising in engineering risks in the USA. HSB is a market leader in machinery/plant and equipment breakdown insurance and also in providing inspection, certification and engineering services. In 2008, the HSB Group posted a profit of US$ 31m (188m) after tax, its gross premiums for 2008 totalling US$ 930m (920m). All figures are based on US GAAP. The provisional purchase price for 100% of the HSB Group's share capital, excluding incidental acquisition expenses, was around US$ 739m (€555m).

Compared with the same quarter last year, our **premium volume** rose by 6.5% to €5.9bn (5.6bn), predominantly due to acquisitions. Without currency translation effects, premium income increased by 5.0%.

Gross premiums by division Q1 2009



In the **life and health** reinsurance segment, our premium income rose by 10.1% to €1.8bn (1.7bn). If exchange rates had remained the same, premium would have risen by 9.9%.

In **property-casualty reinsurance**, which now includes the Watkins Syndicate, our premium income grew by 4.9% to €4.1bn (3.9bn). Adjusted to eliminate currency translation effects, the increase amounted to 2.7% compared with the same quarter last year.

As at 1 January 2009, Munich Re **renewed** some two-thirds of its **treaty business** in property-casualty reinsurance, which corresponds to a premium volume of around €8.3bn. The development of prices, terms and conditions varied greatly between lines and regions. On balance, however, stable or increased prices were achieved worldwide. Of the total renewal business, approximately 18% was not renewed, largely due to inadequate prices. New business of around €1bn was written in more attractive segments. Together with the renewed business and a slight rise in shares in existing business, the net outcome was a reduction of 3% in premium volume to around €8bn. The price level improved by 2.6% against the same period last year – an increase required almost exclusively to offset the lower interest income owing to the significantly reduced risk-free interest rate. It is therefore satisfactory at best, and our expectations with regard to the renewals were therefore not entirely fulfilled. The development of the economy as a whole, with its effects on the insurance industry's capitalisation and investment results, has not yet led to a situation in all markets where the players recognise the need for prices, terms and conditions that are consistently risk-adequate. Overall, however, we are satisfied with the improvement in the quality and profitability of our portfolio.

For the forthcoming renewals this year, we are proceeding on the assumption that the market will continue to harden and price levels will rise. The financial crisis has evolved into a severe recession, and the implications for the insurance and reinsurance industry are not yet fully foreseeable. Obviously, however, the capital base and capacity of market players has declined significantly, and capital-market-based instruments are either non-existent, at least temporarily, or are very expensive to place. Since the risk-free interest rate has also dropped to a very low level in recent months and the cost of capital has risen, insurance and particularly reinsurance premiums really ought to rise on a broad front.

At 97.3% (103.7%), our **combined ratio** after the first three months of the year was in line with expectations. The total burden from major losses accounted for 8.5% (17.8%) of the combined ratio. Expenditure for natural catastrophes was lower than in the same quarter last year, as was the burden from man-made losses. In the period under review, €187m (346m) was paid or reserved for natural catastrophes and €98m (234m) for man-made loss events. The largest individual losses were two natural catastrophes: Winter Storm Klaus, which caused damage particularly in France and Spain and for which we established provisions of around €80m, and the devastating bush fires in the Australian state of Victoria, for which we made provision of around €65m.

Primary insurance

- Total premium growth to €5.0bn; increase in international business
- Combined ratio of 96.3% at an acceptable level
- Adverse impact from write-downs of goodwill and hedges against low interest rates
- Consolidated result of –€72m

Key primary insurance figures[1]

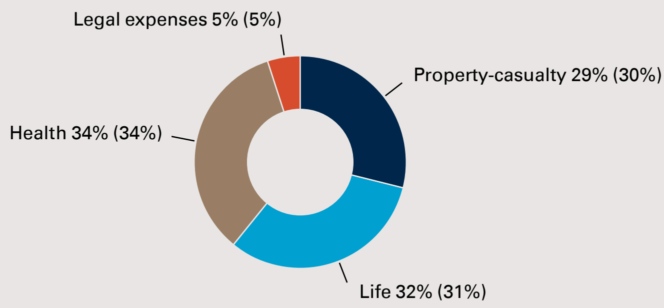
		Q1 2009	Q1 2008
Total premium income	€bn	5.0	4.9
Gross premiums written	€bn	4.7	4.6
Loss ratio property-casualty	%	63.1	53.5
Expense ratio property-casualty	%	33.3	32.1
Combined ratio property-casualty	%	96.4	85.6
Combined ratio legal expenses insurance	%	95.9	95.6
Combined ratio property-casualty including legal expenses insurance	%	96.3	87.8
Technical result	€m	259	343
Investment result	€m	735	717
Operating result	€m	77	314
Consolidated result	€m	–72	171
Thereof attributable to minority interests	€m	4	10
		31.3.2009	**31.12.2008**
Investments	€bn	114.5	114.0
Net technical provisions	€bn	102.2	101.4

[1] Previous year's figures adjusted owing to first-time application of IFRS 8.

In the first quarter of the year, ERGO's results were still burdened by the effects of the financial crisis. The primary insurance group's **consolidated result** after tax stood at –€72m (171m) and the operating result at €77m (314m). The technical result amounted to €259m (343m), with income from technical interest totalling €855m (684m). For the period under review, the investment result was €735m, compared with €717m in the same quarter last year. In the property-casualty segment, the combined ratio was an acceptable 96.3% (87.8%) in the period under review, despite the long and hard winter. The lower year-on-year result figure was attributable to additional write-downs for impairments of goodwill and of investments. We had to make substantial write-downs of the derivatives we use in life insurance to hedge against a prolonged low-interest-rate phase, because interest rates have risen and volatilities have fallen – a pleasing development per se, which will improve our long-term economic results. Besides this, the deterioration in conditions caused by the spreading of the financial crisis to the real economy prompted us to critically review the business plans of our international companies and, in some cases, adjust them downwards. We therefore made further write-downs of €81m for impairments of goodwill, in particular for Bank Austria Creditanstalt Versicherung (BACAV).

Total premium income across all lines of business increased by 3.3% to €5.0bn (4.9bn). Growth was especially apparent in international business, in particular in life insurance. Although over 90% of our primary insurance volume stems from the eurozone, the strong declines in foreign exchange rates, especially the Polish zloty and Turkish lira, adversely affected growth by 1.6%. **Gross premiums written** rose to €4.7bn (4.6bn), a figure that does not include the savings premiums from unit-linked life insurance and capitalisation products such as "Riester" pensions in Germany.

Gross premiums by division Q1 2009[1]



[1] Previous year's figures adjusted owing to first-time application of IFRS 8.

In the first quarter of 2009, the total premium income of our **life insurers** amounted to €1.8bn (1.7bn), with German business showing a decrease of 1.7% to €1.36bn (1.38bn). As expected, German new business was down year on year, the annual premium equivalent (APE)[1] of €165m falling by 32.8%. The strong decline was largely due to a "basis effect", i.e. a major boost to new business in early 2008 as a result of the fourth and last subsidisation stage for Riester policies. Without this factor, new German business would have declined by 9.5% year on year. From a marketing and sales point of view, the first three months of 2009 were better than the same quarter last year, with more new business concluded in particular via the bancassurance and broker sales channels. Single-premium business developed positively, especially in the area of traditional annuity insurance. In international business, we posted a rise in premium by 44.0% to €363m (252m), not least because we increased our stake in the Austrian insurer BACAV to a majority holding as at 30 September 2008, so that BACAV's premiums are now included in our financial statements.

In the first quarter of 2009, ERGO and the Indian HERO Group announced that the plan for their joint-venture company for life insurance in India would be discontinued by mutual consent. The HERO Group has postponed its planned activities in this area indefinitely. Notwithstanding the global economic crisis, we have confidence in the long-term potential of the Indian life insurance market and will pursue our plans to enter the market.

[1] The annual premium equivalent corresponds to regular premium income plus 10% of single-premium volume.

In the **health** insurance segment, premium income in the first three months of 2009 climbed by 2.3% to €1.59bn (1.55bn). Europäische Reiseversicherung and Mercur are now taken into account here and are no longer recognised in the property-casualty segment. The previous year's figures have been adjusted accordingly. Premium volume generated by German business rose by 1.8% to €1.3bn (1.2bn). German business with supplementary benefit covers grew by 6.0%, whilst premium income in comprehensive health insurance expanded by only 0.8%, still owing to the German health reform. Happily, we were able to expand our new business from comprehensive health insurance by 9.5% in the first quarter of 2009, a consequence of the successful introduction of our new products. Premium income in international business again showed a satisfying increase of 4.4% to €330m (316m), largely generated by high growth in Spain and Belgium.

Our premium volume in the **property-casualty insurance** segment for the first three months of 2009 amounted to €1.63bn (1.62bn). Europäische Reiseversicherung and Mercur are now shown in the health primary insurance segment, while the Watkins Syndicate has been reallocated to the reinsurance segment. The expansion of 0.4% stems from international business, which grew by 2.7% to €495m (482m). The increase in premium income generated by the South Korean company ERGO Daum Direct contrasted with significant negative currency translation effects. In Germany, the premium income of €1.13bn (1.14bn) was 0.6% below last year's level.

The **combined ratio** was acceptable at 96.3%. However, this figure was appreciably higher than the excellent 87.8% posted in the same quarter of 2008, which had benefited from a mild winter with more favourable claims experience, whereas the winter of 2009 was uncommonly long.

Investment performance

- Biggest financial and economic crisis for decades continues in the first quarter of 2009
- Impact limited by balanced investment policy
- Investment portfolio made up chiefly of fixed-interest securities and loans
- Investment result of €1.4bn down significantly on previous year

Under our asset-liability management approach, our **investment strategy** is geared to the structure of our liabilities. The characteristics of the payment obligations from insurance business, including their dependence on economic factors such as interest rates, currency and inflation, determine the investments selected. This cushions our assets somewhat against the effect of capital market fluctuations.

The Munich Re Group's **liquidity** is ensured by means of detailed, Group-wide liquidity planning. As a rule, the Munich Re Group generates significant liquidity from its premium income, from regular investment income and from maturities. We also attach great importance to the credit rating and fungibility of our investments, thereby ensuring a high level of liquidity overall.

Investment result[1]

	Q1 2009 €m	Q1 2008 €m	Change %
Regular income	1,744	1,773	–1.6
Write-ups/write-downs	–542	–508	–6.7
Net realised capital gains	359	742	–51.6
Other income/expenses	–196	–332	41.0
Total	**1,365**	**1,675**	**–18.5**

[1] Previous year's figures adjusted owing to first-time application of IFRS 8.

Investment result by type of investment[1]

	Q1 2009 €m	Q1 2008 €m	Change %
Real estate	85	9	844.4
Investments in affiliated companies	–9	–2	–350.0
Investments in associates	–47	47	–
Mortgage loans and other loans	457	402	13.7
Other securities	980	1,429	–31.4
Deposits retained on assumed reinsurance, and other investments	43	72	–40.3
Investments for the benefit of life insurance policyholders who bear the investment risk	–42	–193	78.2
Expenses for the management of investments, other expenses	102	89	14.6
Total	**1,365**	**1,675**	**–18.5**

[1] Previous year's figures adjusted owing to first-time application of IFRS 8.

For the period January to March 2009, the Munich Re Group's **investment result** fell by 18.5% year on year. This was due chiefly to the still-elevated risk spreads, which led to a lower result from disposals of fixed-interest securities in the period under review in connection with portfolio restructuring.

Our **regular investment income** reached nearly the same level as in the previous year, primarily on account of higher interest payments from a considerably larger portfolio of fixed-interest securities and loans compared with the previous year. The systematic reallocation of investments from equities to interest carriers and the associated expansion in our fixed-interest portfolio largely offset effects such as the much-reduced dividend payments and income from associates.

In the first three months of the financial year, the net balance of **write-ups and write-downs** on our investments was –€542m (–508m). This slight decline is partly due to the fact that, compared with the previous year, we had to make relatively high write-downs of €100m (20m) on our fixed-interest securities and loans in the period under review. A counterbalancing effect resulted from the much lower economic equity-backing ratio we have achieved over time through measures such as disposals and the increased use of further hedging instruments.

Between January and March 2009 we made total write-downs of €267m (1,332m) on our non-fixed interest securities categorised as "available for sale", which related almost exclusively to our equity portfolios. At €413m (1,131m), derivatives accounted for almost all of our total write-ups of €418m (1,159m), of which derivatives with non-fixed-interest underlying business made up €299m (1,071m). All in all, the net balance of write-ups and write-downs on our derivatives was –€129m (887m).

Furthermore, the revaluation of the Munich Re Group's total portfolio of fixed-interest securities categorised as "available for sale" in the period under review resulted in write-downs totalling approximately €98m (21m) as well as changes in equity[1]. We made write-downs in the mid double-digit million range on our asset- and mortgage-backed securities, with mortgage-backed securities and collateralised debt obligations being particularly affected. Given the risk of non-payment on participation certificates, dormant holdings and similar banking-sector equity instruments, we made write-downs in the mid double-digit million range on such instruments between January and March.

Despite the high volume of write-downs in comparison with the previous year, we cannot rule out further write-downs if the current difficult economic situation persists. We envisage particular risks of further impairments among the tier 1 and upper tier 2 instruments in our bank exposure, and among our participation certificates, some of which we have already written down. Our total exposure to such securities as at the reporting date is €436m at market values.

[1] Please see page 101 of the Munich Re Group Annual Report for more information on impairment tests for fixed-interest securities categorised as "available for sale".

In the period under review, we posted **net realised gains on disposal** that were appreciably lower than in the same period last year at €359m (742m). In particular, we generated gains on the disposal of expired and closed derivative financial instruments which we had purchased to hedge our equity portfolio and whose performance had benefited from the ongoing bear market. In the first quarter of 2009, we also disposed of share packages we had already hedged prior to the financial crisis and whose sale led to the release of previously unrealised gains. We thus achieved a net result of €408m (397m) on the disposal of non-fixed-interest securities categorised as "available for sale" and of derivatives with non-fixed-interest underlying business. Compared with the previous year, however, these effects were more than offset by the major decline in the result of –€87m (319m) from disposals in our portfolio of fixed-interest securities. Systematic reallocations within our investment portfolio led to corresponding losses due to the still-high risk spreads.

In the reporting period, we recorded a result of –€42m (–193m) from investments for the benefit of life insurance policyholders who bear the investment risk. We have posted this figure in the investment result under "other income/expenses".

Investment mix[1, 2]

	Reinsurance				Primary insurance						Asset management		Total	
	Life and health		Property-casualty		Life		Health		Property-casualty					
€m	31.3. 2009	31.12. 2008	31.3. 2009	31.12. 2008	31.3. 2009	31.12. 2008	31.3. 2009	31.12. 2008	31.3. 2009	31.12. 2008	31.3. 2009	31.12. 2008	31.3. 2009	31.12. 2008
Land and buildings, including buildings on third-party land	385	399	708	696	1,864	1,874	620	612	93	90	60	61	3,730	3,732
Investments in affiliated companies	33	35	55	59	9	9	31	30	78	89	13	12	219	234
Investments in associates	77	84	145	178	235	257	115	106	185	291	46	48	803	964
Loans	256	257	445	417	26,964	25,911	12,825	11,695	2,192	2,145	1	1	42,683	40,426
Other securites held to maturity	–	–	–	–	128	138	–	–	3	5	–	–	131	143
Other securities available for sale														
Fixed-interest	11,048	11,057	44,224	42,836	37,147	36,609	12,327	12,602	4,935	4,781	48	23	109,729	107,908
Non-fixed-interest	358	400	1,737	1,888	2,045	3,126	393	558	761	943	20	21	5,314	6,936
Other securities at fair value through profit or loss														
Held for trading														
Fixed-interest	5	6	641	627	56	62	–	–	–	–	–	–	702	695
Non-fixed-interest	1	1	26	23	3	3	4	3	–	–	–	–	34	30
Derivatives	233	204	321	269	525	1,177	55	225	20	40	–	–	1,154	1,915
Designated as at fair value through profit or loss														
Fixed-interest	–	–	–	–	455	482	–	–	–	–	–	–	455	482
Non-fixed-interest	–	–	–	–	23	–	–	–	–	–	–	–	23	–
Deposits retained on assumed reinsurance	5,440	5,288	1,224	1,269	88	85	1	1	3	3	–	–	6,756	6,646
Other investments	249	124	493	268	865	966	68	128	522	220	150	286	2,347	1,992
Investments for the benefit of life insurance policyholders who bear the investment risk	–	–	–	–	2,958	2,873	1	1	–	–	–	–	2,959	2,874
Total	18,085	17,855	50,019	48,530	73,365	73,572	26,440	25,961	8,792	8,607	338	452	177,039	174,977

[1] After elimination of intra-Group transactions across segments.
[2] Previous year's figures adjusted owing to first-time application of IFRS 8.

The **carrying amount of our investments** showed a slight increase of €2.1bn or 1.2% since the beginning of the year. This increase was largely influenced by foreign currency gains of €1.5bn, which were chiefly due to rising exchange rates for our major investment portfolios held in US dollars, pounds sterling and Canadian dollars. Such gains are usually balanced by similar changes in the value of our liabilities in foreign currencies, meaning that exchange rate fluctuations lead only to minor changes in our asset position. In addition, we have increased our investments in fixed-interest securities and loans. By contrast, our equity portfolio has shrunk as a result of falling market values and a systematic reduction policy. Owing to the interest-rate trend, there was a slight fall in net unrealised gains on our fixed-interest securities available for sale and accounted for at market value.

The downward trend on the stock exchanges continued in the 2009 financial year, especially at the start, with the most important indices showing substantial declines since January. The EURO STOXX 50 alone lost a further 376 points or 15.4% in the first three months. Alongside these price falls, we also continued to reduce the carrying amount of our **equity portfolio** (including investments in affiliated companies and associates) through disposals in the first quarter of the current financial year. Accordingly, at the reporting date, this amount totalled only €4.4bn (6.2bn). At market value, our equity portfolio (including investments in affiliated companies and associates) represents 2.6% of our overall investment portfolio – down a further 1.0 percentage points on the start of the year. Because we have hedged this portfolio to a large extent using derivatives, our economic exposure to equities at the end of the quarter accounted for only 1.4% (1.7%) of our investments at market value. Expressed as a percentage of adjusted equity, the value of the equity portfolio – minus derivatives, policyholders' bonuses and deferred taxes – is only 4% ("equity gearing"). At 5%, this ratio was already very low as at 31 December 2008, but we were nonetheless able to reduce it still further in the first three months of 2009. In the light of the volatile capital market environment, we thus lessened our dependence on the stock market significantly, also in relation to our capital base.

Other securities available for sale

	Carrying amounts		Unrealised gains/losses		At amortised cost	
€m	31.3.2009	31.12.2008	31.3.2009	31.12.2008	31.3.2009	31.12.2008
Fixed-interest securities	109,729	107,908	1,356	1,410	108,373	106,498
Non-fixed-interest securities						
Equities	3,121	4,537	1,418	1,730	1,703	2,807
Investment funds	1,331	1,542	53	95	1,278	1,447
Other	862	857	–14	–24	876	881
	5,314	6,936	1,457	1,801	3,857	5,135
Total	**115,043**	**114,844**	**2,813**	3,211	**112,230**	111,633

Since the beginning of the year, **net unrealised gains** on equities dropped by €0.3bn to €1.5bn.

At the end of the quarter, **fixed-interest securities and loans** totalled €154bn or approximately 87% of our total investment portfolio at carrying amounts, an increase of 1.3 percentage points compared with the beginning of the year, and 13 percentage points more than at 31 December 2007.

We have placed the majority of this portfolio (47%) in government bonds or similarly secure instruments for which public institutions are liable; approximately 56% relates to German and US issuers. Additionally, around 26% of our investments are in securities and debt instruments with top-quality collateralisation, mainly German pfandbriefs with good rating structures.

In the first quarter, we again exercised restraint in the assumption of credit risks. We carried out selective restructuring within our portfolio of credit-exposed fixed-interest securities, taking advantage of the considerable widening of risk spreads on corporate bonds to prudently improve our positions. As at the reporting date, these accounted for approximately 9% of our portfolio of fixed-interest investments. By contrast, we systematically trimmed back our portfolio of asset- and mortgage-backed securities to €5.2bn (6.1bn). Around 70% of our portfolio of asset- and mortgage-backed securities were issued by state-supported agencies.

At the reporting date, approximately 11% of our portfolio of fixed-interest securities and loans, which includes short-term items, was invested with banks. A small portion of our bank exposure, around 2%, is comprised of dormant holdings, participation certificates and other quasi-equity instruments. Another 8% is in subordinated bonds with limited maturities.

As protection against the risks of future inflation and the associated rise in interest rates, we hold bonds worth approximately €7.2bn (6.5bn) for which the interest and redemption amounts are linked to inflation (inflation-indexed bonds). These account for 4.7% of our portfolio of fixed-interest securities and loans at market value.

In the first three months up to the reporting date, we recorded a countervailing trend overall in risk-free interest rates. Whilst a steepening of the interest-rate curve was apparent in Germany, risk-free interest rates in the USA rose continuously. Divergent effects both within and between individual asset classes were also apparent in risk spreads on fixed-interest securities. Overall, however, the developments in the area of fixed-interest securities were largely self-compensating. **Net unrealised gains** on our fixed-interest securities in the "available for sale" category thus declined only marginally by €54m to €1.4bn (see table on page 19) in the period under review.

Valuation reserves not recognised in the balance sheet

	Valuation reserves	Fair value	Carrying amount	Valuation reserves	Fair value	Carrying amount
€m	31.3.2009	31.3.2009	31.3.2009	31.12.2008	31.12.2008	31.12.2008
Land and buildings[1]	1,449	7,590	6,141	1,506	7,551	6,045
Associates	210	1,001	791	168	1,117	949
Loans	444	43,127	42,683	626	41,052	40,426
Other securities	1	132	131	1	144	143
Total	**2,104**	**51,850**	**49,746**	**2,301**	**49,864**	**47,563**

[1] Including owner-occupied property.

There were comparable developments in our loans recognised at amortised cost, the valuation reserves of which sank somewhat by €0.2bn to €0.4bn.

Overall, our **off-balance-sheet valuation reserves** sank by €0.2bn, meaning that as at the reporting date, valuation reserves on our investments (excluding owner-occupied property) were positive on balance, totalling €1.9bn.

When policyholders' bonuses, deferred taxes and minority interests are subtracted from our total off-balance-sheet valuation reserves of €2.1bn, 42% of the total is allocable to shareholders.

Under an amendment made in 2008 to IAS 39, Financial Instruments, the IASB (International Accounting Standards Board) permits non-derivative financial instruments in the categories "securities held for trading" and "securities available for sale" to be reclassified in other categories under certain conditions. Thanks to our well-balanced investment policy and our already somewhat conservative accounting methods, we refrain – as hitherto – from taking advantage of these relaxations in requirements. We attach importance to continuity in our accounting practices as well as to the transparency of our assets and results.

Assets under management for third parties

		31.3.2009	31.12.2008
Third-party investments	€bn	8.2	8.5
		Q1 2009	Q1 2008
Group asset management result	€m	8	25

MEAG MUNICH ERGO AssetManagement GmbH is the asset manager of Munich Re and the ERGO Insurance Group. In addition to its function as asset manager for the Group, MEAG also offers its expertise to private and institutional clients. The monies managed by MEAG in private-client business via investment funds decreased to €1.6bn (1.7bn) due to the continuing negative market trend affecting equities and bonds alike. On account of the market ructions, private investors were also very restrained where new investments were concerned – MEAG's assets under management for institutional clients also fell slightly to €6.6bn (6.8bn). The result decreased to €8m (25m) on account of the still-difficult environment. The assets managed by PICC Asset Management Company Ltd. (PAMC), Shanghai, 81% of which belongs to PICC People's Insurance Company of China, and 19% to MEAG, rose to €13.6bn (11.0bn).

Prospects

- Implications of the worsened economic crisis still uncertain; challenges for the Group but also opportunities thanks to relative strength
- Further improvement in prices, terms and conditions expected in reinsurance
- Adherence to long-term result target of 15% after tax on risk-adjusted capital (RORAC) over the cycle

Overview

The slowdown in global economic growth, rising levels of unemployment and sinking real incomes will naturally have a curbing effect on demand for insurance and reinsurance covers. Fewer purchases are made and insured, industrial production requiring insurance declines, the global transportation of the goods produced decreases, and consumers have less scope for private provision. Nevertheless, a number of factors also act in the opposite direction and should lead to a stabilisation of insurance terms and conditions. The capital base of insurers has shrunk as a result of the crisis. At the same time, the sustained security of the cover offered is more important than ever. This will benefit the Munich Re Group, whose solid capitalisation and successful risk management are gradually being reflected in superior ratings, which also underline our reliability to clients.

Reinsurance

Reinsurance continues to hold considerable promise for the future, with a wide variety of earnings opportunities in the long term. Although the economic burdens for primary insurers also impact reinsurers' growth and profit opportunities, reinsurance has gained in importance in the current financial situation, as its capital-relief effect is in demand. We anticipate that in the course of the year market players will recognise the need for risk-adequate prices, terms and conditions even more clearly and that the market will harden further. Owing to its consistent financial solidity and expertise in the field of risk assessment and risk management, Munich Re offers its clients reliable solutions and substantial added value on an economically sound basis. We therefore expect to be able to write a growing amount of business at prices that differ from those of our competitors. It should thus be possible for us to at least partly offset the as yet unquantifiable recession-related losses in premium and to operate at a profit. In some areas, our opportunities should even outweigh the risks, enabling us to grow profitably and expand our market position in the current crisis. Thus, for instance, we have been able to conclude large quota share treaties in the life and health reinsurance segment, which will mainly be reflected in the accounts as from the second quarter.

Life reinsurance will offer good growth potential in the short to long term. It is frequently used by our clients as a capital substitute and is currently especially sought after. Sustainable impulses for new business are also expected to derive from the restructuring of European supervisory rules (Solvency II), the continuing privatisation trend in old-age and disability provision in the developed markets, the growing need for asset protection, and the dynamic expansion of the Asian and eastern European life insurance markets. Munich Re is renowned for its in-depth risk and market expertise, good client relations, and financial strength. As an important component of our diversification and due to the business's relatively low volatility, life reinsurance is being strengthened as a core element of our strategy. For 2009, we expect gross premiums written to total around €6bn, but it is not possible at present to provide a reliable forecast of how the result will develop in the current financial year. A severe recession may negatively impact disability and suicide rates. Also, short-term premium development may come under pressure owing to declines in demand among our primary insurance clients. That would make it even more difficult to achieve our aim of doubling the value added by new business in the period 2006 to 2011 based on embedded value calculations.

A range of growth opportunities present themselves in the field of **healthcare**. Gross premium volume for 2009 should be in the region of €3bn. In healthcare business, the Munich Re Group covers the whole value chain. Our services, ranging from risk assessment and risk management to healthcare support, involve much more than just the assumption of risks. With our expertise, we are closer to the markets and can devise viable and sustainable solutions tailored to the needs of our clients. In order to maximise the opportunities this presents, Munich Re has pooled its insurance and reinsurance healthcare specialists in a separate organisation for its business outside Germany under the new brand of Munich Health.

In **property-casualty reinsurance**, which by experience is cycle-dependent, Munich Re will maintain its clear, profit-oriented underwriting policy and accept risks only at commensurate prices, terms and conditions. The net outcome of the renewals as at 1 January 2009 was a reduction of 3% in premium income. For 2009, we expect gross premiums written to total around €14.5bn.

As at **1 April 2009**, almost 12% of our treaty business with a volume of nearly €1.3bn was up for **renewal**, a large part of which involved the markets of Japan and Korea and parts of the US market. Overall, a development similar to that of the renewals at 1 January 2009 was observable. The market has not yet hardened in all sectors, but natural catastrophe business in particular (especially in Japan and the US) showed further marked price increases. Thanks to the significantly higher share of natural catastrophe business in premium volume compared with the January renewals, a 7.2% increase in prices was achieved for the portfolio. This development was reinforced by the capital market, since there has been a reduction in the capacity and in the security of a number of competitors. In this environment, Munich Re was able to systematically bring its financial strength into play. With our consistently active cycle management, capacity was allocated to attractive segments, thus further enhancing the profitability of the business, though also resulting in a reduction in premium volume of around 11% compared with last year.

The renewals as at 1 July 2009 will mainly involve US natural catastrophe covers, along with Australian and Latin American business. Further rises in prices are expected above all in US natural catastrophe business, where reinsurance capacities tended to be restricted in April.

Economic recovery should be accompanied in the medium to long term by increased demand in all classes of business. We predict that the highest percentage growth rates will come from the emerging markets of Asia and Latin America. Given their higher starting level, however, Europe and North America should record significantly greater absolute growth. With our worldwide presence, we will be able to tap the potential in all regions of the world and fields of business.

Gross premiums in reinsurance should range between €22.5bn and €24bn in 2009, provided that exchange rates remain stable and the cyclical losses in premium income for primary insurers and their impact on reinsurance covers stay within reasonable bounds. In view of the large-volume quota share treaties concluded in life and health reinsurance in the first quarter, we have raised our premium expectations compared with the range forecast for 2009 in our 2008 annual report (€21–22bn). Since the demand for reinsurance as a substitute for equity is likely to increase and capacity is short on the supply side, terms of trade should improve in 2009, despite the weakened overall economy. For property-casualty reinsurance, we anticipate a combined ratio of around 97% of our net earned premiums for 2009 and over the market cycle as a whole, based on an expected average major-loss burden from natural catastrophes of 6.5%, adjusted for shifts in the portfolio. The uncertainties involved in the estimate derive not only from the random incidence of major individual losses. A strong increase in claims triggered by the recession cannot be ruled out, above all in particularly exposed classes of business. Conversely, it is also possible that experience will be better if markets continue to harden.

Primary insurance

In primary insurance, the short-term negative factors related to the crisis will be counterbalanced in the medium term by positive aspects, especially in life and health business. The public's need for care and provision is rising and increasingly has to be financed privately. Furthermore, we expect that life and annuity insurance, as traditional forms of old-age provision backed with solid guarantees, will recapture a larger share of our clients' expenditure on private provision. Given the tight capital situation in the insurance industry and reduced confidence in the banking and fund management sectors, ERGO is benefiting from being part of a strong and solidly capitalised group. Of great significance in this regard is also the long-term nature of our client relationships, in particular in life, health and personal accident insurance. Despite substantial uncertainty regarding the effects of the bleak macroeconomic environment, we expect that we will be able to post higher premium income across all segments of primary insurance in the current financial year.

In **life insurance**, we anticipate that our overall premium income will grow, thanks to the development of international business. This increase will result mainly from the first-time consolidation of BACAV, whose premium income we have recognised in our consolidated figures since the fourth quarter of 2008. We project that premium volume in Germany will reduce marginally, in line with general market developments. As far as new business is concerned, we are reckoning with major challenges in view of the economic environment, even if the financial crisis makes clients tend towards more secure forms of investment and provision.

In **health business**, we are aiming for a rise of around 2% in Germany, while in international business we again consider a higher increase in premium income possible. Especially in the field of supplementary health insurance, growth should be fuelled by people's heightened awareness of the need to bridge the ever greater gaps in state health insurance coverage by taking out private insurance.

Premium volume in **property-casualty insurance** is likely to show an increase, especially in non-German business. We are also aiming for a slight rise in German business in 2009, although the market as a whole is stagnating. However, it must be feared that the poor overall economic situation will have a stronger impact on insurance demand than we currently project. A counterbalancing effect derives from the fact that people's need for protection tends to rise in economically challenging times. Our goal is to keep the combined ratio for property-casualty business at the good level of under 95%.

Total premium income in primary insurance should range between €18.5bn and €19.5bn in 2009, with **gross premiums written** reaching €17–18bn. It should be noted that, unlike in 2008, the premiums written by Lloyd's Watkins Syndicate are no longer included in the primary insurance segment (€418m in 2008).

Munich Re Group

We are definitely interested in further acquisitions as part of our niche strategy if the purchase prices reflect the difficult economic situation and greater risks, and enable us to create attractive added value. This was not, incidentally, the case in the projects recently pursued by us, since the potential sellers were not under sufficient sales pressure. Whilst state support schemes bring a certain amount of stability, they also suppress the self-regulating mechanisms of the market, adversely impact the structure of competition and curb private demand for capital.

If exchange rates remain stable compared with those at the end of 2008, we expect **gross premiums written** in primary insurance and reinsurance in 2009 to be in the range of €39–41bn (total consolidated premium). The increase in the forecast compared with the range given in our 2008 annual report (€37.5–39.5bn) is due to our higher premium expectations for reinsurance. In view of the continued upheaval in the financial markets and the severe global recession, this prognosis is prone to considerable uncertainty.

Having made systematic reallocations from equities to interest-bearing securities, we anticipate that regular income from **investments** will produce a solid return of around 4% on the market value of total investments. However, reinvestment returns have reached a very low value and the dividends paid on our already much smaller equity portfolio have tended to be substantially reduced. Despite the selective and prudent expansion of our credit risk exposure, we do not intend to compensate for the losses in interest income owing to low risk-free interest by assuming higher investment risks. Depending on how the financial markets and economic parameters develop, further burdens cannot be ruled out, particularly as far as the fixed-interest securities are concerned. Given the provisions made in the past financial year and based on our broadly diversified investment portfolio, we should be well able to absorb these burdens. Taking into account all gains and losses on disposals, write-ups and write-downs and expenses for the management of investments, however, we project that owing to the risk reduction in our investment portfolio our return on investment will be distinctly below our long-term target of 4.5%.

The uncertainties resulting from the economic crisis therefore apply to both underwriting business and investments, making a serious projection of the annual profit for 2009 impossible. All in all, we remain confident with regard to the Munich Re Group's value-based corporate development and are adhering to our long-term objective of a 15% **RORAC** after tax across the cycle. Although our goal is quite ambitious considering the currently difficult economic environment and major uncertainties involved, it does not induce us to take irrational risks, as it relates to risk-based capital.

After concluding the 2008/2009 share buy-back programme as planned, we had originally proposed to carry out further **share buy-backs** totalling over €1bn for each of the following two twelve-month periods preceding the Annual General Meeting 2011. Since the economic crisis has deepened and its implications remain uncertain, however, we believe – on mature reflection – that it is in the interests of our shareholders to discontinue the share buy-backs for the present. It is more beneficial for the time being to use our comfortable capitalisation to take advantage of opportunities for organic and possibly external growth.

For the financial year 2009 and beyond, we still intend to pay our shareholders an annual **dividend** depending on the result for the year, our aim being to maintain the level last reached, i.e. €5.50 per share. It is too early of course to make a definite announcement.

The statements relating to opportunities and risks as presented in the Munich Re Group's Annual Report 2008 apply unchanged.

Interim consolidated financial statements
Consolidated balance sheet as at 31 March 2009

Assets				31.12.2008		Change
	€m	€m	€m	€m	€m	%
A. Intangible assets						
I. Goodwill		3,578		3,570	8	0.2
II. Other intangible assets		1,878		1,786	92	5.2
			5,456	5,356	100	1.9
B. Investments						
I. Land and buildings, including buildings on third-party land		3,730		3,732	–2	–0.1
Thereof: Investment property held for sale		16		16	–	–
II. Investments in affiliated companies and associates		1,022		1,198	–176	–14.7
Thereof: Investments in associates held for sale		24		–	24	–
III. Loans		42,683		40,426	2,257	5.6
IV. Other securities						
1. Held to maturity	131			143	–12	–8.4
2. Available for sale	115,043			114,844	199	0.2
3. At fair value through profit or loss	2,368			3,122	–754	–24.2
		117,542		118,109	–567	–0.5
V. Deposits retained on assumed reinsurance		6,756		6,646	110	1.7
VI. Other investments		2,347		1,992	355	17.8
			174,080	172,103	1,977	1.1
C. Investments for the benefit of life insurance policyholders who bear the investment risk			2,959	2,874	85	3.0
D. Ceded share of technical provisions			5,595	5,251	344	6.6
E. Receivables						
I. Current tax receivables		580		919	–339	–36.9
II. Other receivables		10,323		8,409	1,914	22.8
			10,903	9,328	1,575	16.9
F. Cash at bank, cheques and cash in hand			3,065	2,354	711	30.2
G. Deferred acquisition costs						
Gross		8,722		8,500	222	2.6
Ceded share		78		108	–30	–27.8
Net			8,644	8,392	252	3.0
H. Deferred tax assets			5,910	5,708	202	3.5
I. Other assets			4,087	4,051	36	0.9
Total assets			**220,699**	**215,417**	**5,282**	**2.5**

Equity and liabilities			31.12.2008		Change
	€m	€m	€m	€m	%
A. Equity					
I. Issued capital and capital reserve	7,388		7,388	–	–
II. Retained earnings	12,316		10,888	1,428	13.1
III. Other reserves	1,272		1,187	85	7.2
IV. Consolidated result attributable to Munich Re equity holders	415		1,503	–1,088	–72.4
V. Minority interests	272		290	–18	–6.2
		21,663	21,256	407	1.9
B. Subordinated liabilities		4,855	4,979	–124	–2.5
C. Gross technical provisions					
I. Unearned premiums	7,803		6,421	1,382	21.5
II. Provision for future policy benefits	99,302		98,266[1]	1,036	1.1
III. Provision for outstanding claims	47,288		45,503[1]	1,785	3.9
IV. Other technical provisions	8,848		9,292	–444	–4.8
Thereof: Provision for deferred premium refunds relating to disposal groups	7		–	7	–
		163,241	159,482	3,759	2.4
D. Gross technical provisions for life insurance policies where the investment risk is borne by the policyholders		3,069	2,940	129	4.4
E. Other accrued liabilities		3,149	2,982	167	5.6
F. Liabilities					
I. Bonds and notes issued	317		302	15	5.0
II. Deposits retained on ceded business	2,184		2,086	98	4.7
III. Current tax liabilities	2,609		2,791	–182	–6.5
IV. Other liabilities	10,786		9,771	1,015	10.4
Thereof: Amounts due to banks relating to disposal groups	19		19	–	–
		15,896	14,950	946	6.3
G. Deferred tax liabilities		8,826	8,828	–2	0.0
Total equity and liabilities		**220,699**	**215,417**	**5,282**	**2.5**

[1] Adjusted owing to reallocation within the technical provisions; see page 44.

Consolidated income statement for the period 1 January to 31 March 2009[1]

Items	Q1 2009	Q1 2009	Q1 2009	Q1 2008		Change
	€m	€m	€m	€m	€m	%
Gross premiums written	10,367			9,842	525	5.3
1. Earned premiums						
Gross	9,386			8,866	520	5.9
Ceded	389			323	66	20.4
Net		8,997		8,543	454	5.3
2. Income from technical interest		1,150		1,101	49	4.5
3. Expenses for claims and benefits						
Gross	7,543			7,087	456	6.4
Ceded share	183			154	29	18.8
Net		7,360		6,933	427	6.2
4. Operating expenses						
Gross	2,320			2,159	161	7.5
Ceded share	84			51	33	64.7
Net		2,236		2,108	128	6.1
5. Technical result (1–4)			**551**	603	–52	–8.6
6. Investment result						
Investment income	3,586			4,530	–944	–20.8
Investment expenses	2,221			2,855	–634	–22.2
Total		1,365		1,675	–310	–18.5
Thereof: Income from associates		–47		47	–94	–
7. Other operating income		120		174	–54	–31.0
8. Other operating expenses		140		158	–18	–11.4
9. Deduction of income from technical interest		–1,150		–1,101	–49	–4.5
10. Non-technical result (6–9)			**195**	590	–395	–66.9
11. Operating result			746	1,193	–447	–37.5
12. Other non-operating result			96	–53	149	–
13. Impairment losses of goodwill			81	–	81	–
14. Finance costs			82	86	–4	–4.7
15. Taxes on income			259	277	–18	–6.5
16. Consolidated result			420	777	–357	–45.9
Thereof: Attributable to Munich Re equity holders			415	767	–352	–45.9
Attributable to minority interests			5	10	–5	–50.0
			€	€	€	%
Earnings per share			**2.12**	3.75	–1.63	–43.5

[1] Previous year's figures adjusted owing to first-time application of IFRS 8.

Consolidated income statement (quarterly breakdown)[1]

Items	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008
	€m	€m	€m	€m	€m
Gross premiums written	10,367	9,706	9,270	9,011	9,842
1. Earned premiums					
Gross	9,386	10,086	9,271	9,054	8,866
Ceded	389	459	414	357	323
Net	8,997	9,627	8,857	8,697	8,543
2. Income from technical interest	1,150	1,356	1,142	1,205	1,101
3. Expenses for claims and benefits					
Gross	7,543	8,191	7,269	7,349	7,087
Ceded share	183	446	313	264	154
Net	7,360	7,745	6,956	7,085	6,933
4. Operating expenses					
Gross	2,320	2,692	2,324	2,155	2,159
Ceded share	84	88	97	51	51
Net	2,236	2,604	2,227	2,104	2,108
5. Technical result (1–4)	551	634	816	713	603
6. Investment result					
Investment income	3,586	7,121	4,516	3,897	4,530
Investment expenses	2,221	5,198	3,854	2,311	2,855
Total	1,365	1,923	662	1,586	1,675
Thereof: Income from associates	–47	–48	16	6	47
7. Other operating income	120	179	229	126	174
8. Other operating expenses	140	259	192	132	158
9. Deduction of income from technical interest	–1,150	–1,356	–1,142	–1,205	–1,101
10. Non-technical result (6–9)	195	487	–443	375	590
11. Operating result	746	1,121	373	1,088	1,193
12. Other non-operating result	96	–110	–128	–55	–53
13. Impairment losses of goodwill	81	167	–	–	–
14. Finance costs	82	89	91	95	86
15. Taxes on income	259	634	152	310	277
16. Consolidated result	**420**	121	2	628	777
Thereof: Attributable to Munich Re equity holders Attributable to minority interests	**415** **5**	133 –12	–3 5	606 22	767 10
	€	€	€	€	€
Earnings per share	**2.12**	0.68	–0.02	2.97	3.75

[1] Previous year's figures adjusted owing to first-time application of IFRS 8.

Statement of recognised income and expense for the period 1 January to 31 March 2009

	Q1 2009 €m	Q1 2008[1] €m
Consolidated result	**420**	777
Currency translation		
Gains (losses) recognised in equity	269	–579
Recognised in the consolidated income statement	–	–
Unrealised gains and losses on investments		
Gains (losses) recognised in equity	–127	–965
Recognised in the consolidated income statement	–50	–379
Change resulting from valuation at equity		
Gains (losses) recognised in equity	–23	–
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	–	–
Actuarial gains and losses on defined benefit plans	–20	–9
Change in the consolidated group	4	20
Other changes	–10	–
Income and expense recognised directly in equity	**44**	–1,911
Total recognised income and expense	**464**	–1,134
Thereof:		
Attributable to Munich Re equity holders	482	–1,145
Attributable to minority interests	–18	11
Changes in accordance with IAS 8	–	–8

[1] Adjusted pursuant to IAS 8.

Group statement of changes in equity

€m	Issued capital	Capital reserve	Retained earnings: Retained earnings before deduction of own shares	Retained earnings: Own shares held	Other reserves: Unrealised gains and losses	Other reserves: Reserve from currency translation	Other reserves: Valuation result from cash flow hedges	Consolidated result	Minority interests	Total equity
	Equity attributable to Munich Re equity holders									
Status at 31.12.2007[1]	588	6,800	11,018	–1,265	5,095	–1,161	–	3,840	501	25,416
Allocation to retained earnings	–	–	3,840	–	–	–	–	–3,840	–	–
Total recognised income and expense	–	–	–11	–	–1,332	–570	1	767	11	–1,134
Thereof: Adjustments in accordance with IAS 8	–	–	–	–	–	–	–	–8	–	–8
Dividend	–	–	–	–	–	–	–	–	–	–
Share buy-backs	–	–	–	–575	–	–	–	–	–	–575
Retirement of own shares	–	–	–	–	–	–	–	–	–	–
Status at 31.3.2008[1]	588	6,800	14,847	–1,840	3,763	–1,731	1	767	512	23,707
Status at 31.12.2008	588	6,800	12,069	–1,181	2,370	–1,186	3	1,503	290	21,256
Allocation to retained earnings	–	–	1,503	–	–	–	–	–1,503	–	–
Total recognised income and expense	–	–	–18	–	–189	273	1	415	–18	464
Dividend	–	–	–	–	–	–	–	–	–	–
Share buy-backs	–	–	–	–57	–	–	–	–	–	–57
Retirement of own shares	–	–	–	–	–	–	–	–	–	–
Status at 31.3.2009	**588**	**6,800**	**13,554**	**–1,238**	**2,181**	**–913**	**4**	**415**	**272**	**21,663**

[1] Adjusted pursuant to IAS 8.

Condensed consolidated cash flow statement for the period 1 January to 31 March 2009

	Q1 2009 €m	Q1 2008[1] €m
Consolidated result	**420**	777
Net change in technical provisions	2,906	–997
Change in deferred acquisition costs	–193	–46
Change in deposits retained and accounts receivable and payable	–1,085	1,058
Change in other receivables and liabilities	352	682
Gains and losses on the disposal of investments	–359	–742
Change in securities held for trading	1,123	687
Change in other balance sheet items	80	–493
Other income and expenses without impact on cash flow	668	1,017
I. Cash flows from operating activities	**3,912**	1,943
Inflows from the sale of consolidated companies	–	–
Outflows for the acquisition of consolidated companies	532	40
Change from the acquisition, sale and maturities of other investments	–1,814	749
Change from the acquisition and sale of investments for unit-linked life insurance	–134	–117
Other	–148	5
II. Cash flows from investing activities	**–2,628**	597
Inflows from increases in capital	–	–
Outflows for share buy-backs	57	575
Dividend payments	–	–
Change from other financing activities	–539	–1,057
III. Cash flows from financing activities	**–596**	–1,632
Cash flows for the financial year (I + II + III)	**688**	908
Effect of exchange rate changes on cash	23	–40
Cash at the beginning of the financial year	2,354	2,505
Cash at the end of the financial year	3,065	3,373

[1] Adjusted pursuant to IAS 8.

Segment reporting

Segment assets[1]

	Reinsurance			
	Life and health		Property-casualty	
€m	31.3.2009	31.12.2008	31.3.2009	31.12.2008
A. Intangible assets	394	396	2,084	1,874
B. Investments				
I. Land and buildings, including buildings on third-party land	385	399	708	696
Thereof: Investment property held for sale	–	–	–	–
II. Investments in affiliated companies and associates	2,091	2,191	3,715	3,706
Thereof: Investments in associates held for sale	–	–	–	–
III. Loans	913	839	1,597	1,387
IV. Other securities				
1. Held to maturity	–	–	–	–
2. Available for sale	11,406	11,457	45,961	44,724
3. At fair value through profit or loss	239	211	988	919
	11,645	11,668	46,949	45,643
V. Deposits retained on assumed reinsurance	10,155	10,142	1,228	1,271
VI. Other investments	277	131	543	280
	25,466	25,370	54,740	52,983
C. Investments for the benefit of life insurance policyholders who bear the investment risk	–	–	–	–
D. Ceded share of technical provisions	483	374	3,176	2,935
E. Other segment assets	6,021	5,816	10,639	9,091
Total segment assets	**32,364**	**31,956**	**70,639**	**66,883**

[1] Previous year's figures adjusted owing to first-time application of IFRS 8.

Primary insurance						Asset management		Consolidation		Total	
Life		Health		Property-casualty							
31.3.2009	31.12.2008	31.3.2009	31.12.2008	31.3.2009	31.12.2008	31.3.2009	31.12.2008	31.3.2009	31.12.2008	31.3.2009	31.12.2008
1,262	1,345	766	768	941	964	12	12	–3	–3	5,456	5,356
1,865	1,875	620	612	93	90	60	61	–1	–1	3,730	3,732
–	–	–	–	–	–	16	16	–	–	16	16
415	436	269	264	3,808	3,861	59	61	–9,335	–9,321	1,022	1,198
24	–	–	–	–	–	–	–	–	–	24	–
28,261	27,146	13,367	12,238	2,290	2,231	1	1	–3,746	–3,416	42,683	40,426
128	138	–	–	3	5	–	–	–	–	131	143
39,203	39,747	12,720	13,160	5,696	5,724	68	44	–11	–12	115,043	114,844
1,062	1,724	59	228	20	40	–	–	–	–	2,368	3,122
40,393	41,609	12,779	13,388	5,719	5,769	68	44	–11	–12	117,542	118,109
88	85	1	1	19	19	–	–	–4,735	–4,872	6,756	6,646
873	1,033	74	131	629	359	150	286	–199	–228	2,347	1,992
71,895	72,184	27,110	26,634	12,558	12,329	338	453	–18,027	–17,850	174,080	172,103
2,958	2,873	1	1	–	–	–	–	–	–	2,959	2,874
5,624	5,803	1,076	1,064	906	875	–	–	–5,670	–5,800	5,595	5,251
9,078	9,125	3,729	3,448	4,300	3,612	131	94	–1,289	–1,353	32,609	29,833
90,817	**91,330**	**32,682**	**31,915**	**18,705**	**17,780**	**481**	**559**	**–24,989**	**–25,006**	**220,699**	**215,417**

Segment reporting

Segment equity and liabilities[1]

	Reinsurance			
	Life and health		Property-casualty	
€m	31.3.2009	31.12.2008	31.3.2009	31.12.2008
A. Subordinated liabilities	1,586	1,697	2,833	2,846
B. Gross technical provisions				
I. Unearned premiums	309	274	5,552	4,641
II. Provision for future policy benefits	13,760	13,588[2]	300	300
III. Provision for outstanding claims	4,278	4,021[2]	36,863	35,264
IV. Other technical provisions	856	818	233	156
Thereof: Provision for deferred premium refunds relating to disposal groups	–	–	–	–
	19,203	18,701	42,948	40,361
C. Gross technical provisions for life insurance policies where the investment risk is borne by the policyholders	–	–	–	–
D. Other accrued liabilities	277	290	840	658
E. Other segment liabilities	4,738	4,804	8,759	8,475
Thereof: Other segment liabilities relating to disposal groups	–	–	–	–
Total segment liabilities	**25,804**	**25,492**	**55,380**	**52,340**

[1] Previous year's figures adjusted owing to first-time application of IFRS 8.
[2] Adjusted owing to reallocation within the technical provisions; see page 44.

				Primary insurance		Asset management		Consolidation		Total	
Life		Health		Property-casualty							
31.3.2009	31.12.2008	31.3.2009	31.12.2008	31.3.2009	31.12.2008	31.3.2009	31.12.2008	31.3.2009	31.12.2008	31.3.2009	31.12.2008
98	98	24	24	376	387	–	–	–62	–73	4,855	4,979
1	–	275	172	1,787	1,418	–	–	–121	–84	7,803	6,421
68,443	68,342	21,092	20,498	354	345	–	–	–4,647	–4,807	99,302	98,266[2]
1,322	1,317	1,032	1,090	4,465	4,478	–	–	–672	–667	47,288	45,503[2]
2,107	2,486	5,724	5,910	126	129	–	–	–198	–207	8,848	9,292
7	–	–	–	–	–	–	–	–	–	7	–
71,873	72,145	28,123	27,670	6,732	6,370	–	–	–5,638	–5,765	163,241	159,482
3,068	2,939	1	1	–	–	–	–	–	–	3,069	2,940
515	498	316	333	1,205	1,191	44	47	–48	–35	3,149	2,982
12,129	12,309	2,561	2,235	6,177	5,426	312	354	–9,954	–9,825	24,722	23,778
–	–	–	–	–	–	19	19	–	–	19	19
87,683	**87,989**	**31,025**	**30,263**	**14,490**	**13,374**	**356**	**401**	**–15,702**	**–15,698**	**199,036**	**194,161**
							Equity			**21,663**	**21,256**
							Total equity and liabilities			**220,699**	**215,417**

Segment reporting

Segment income statement 1.1.–31.3.2009[1]

	Reinsurance			
	Life and health		Property-casualty	
€m	Q1 2009	Q1 2008[2]	Q1 2009	Q1 2008
Gross premiums written	1,846	1,676	4,062	3,874
Thereof:				
From insurance transactions with other segments	146	195	121	119
From insurance transactions with external third parties	1,700	1,481	3,941	3,755
1. Earned premiums				
Gross	1,830	1,659	3,560	3,429
Ceded	75	74	222	178
Net	1,755	1,585	3,338	3,251
2. Income from technical interest	163	168	195	326
3. Expenses for claims and benefits				
Gross	1,450	1,265	2,421	2,562
Ceded share	46	11	101	113
Net	1,404	1,254	2,320	2,449
4. Operating expenses				
Gross	484	407	1,005	965
Ceded share	20	22	57	26
Net	464	385	948	939
Thereof:				
Amortisation and impairment losses of acquired insurance portfolios	2	1	–	–
5. Technical result (1–4)	50	114	265	189
6. Investment result				
Investment income	645	653	1,427	1,884
Investment expenses	278	291	906	1,253
Total	367	362	521	631
Thereof:				
Interest and similar income	332	327	318	318
Interest charges and similar expenses	10	7	19	12
Write-downs of investments	129	184	352	791
Write-ups of investments	71	130	225	561
Income from associates	–1	2	–6	26
7. Other operating income	29	32	25	62
Thereof:				
Interest and similar income	5	5	14	12
Write-ups of other operating assets	–	–	–	–
8. Other operating expenses	22	19	26	33
Thereof:				
Interest charges and similar expenses	5	3	9	5
Write-downs of other operating assets	2	2	3	4
9. Deduction of income from technical interest	–163	–168	–195	–326
10. Non-technical result (6–9)	211	207	325	334
11. Operating result	261	321	590	523
12. Other non-operating result, finance costs and amortisation losses of goodwill	7	–20	30	–51
13. Taxes on income	66	–19	157	213
14. Consolidated result	**202**	**320**	**463**	**259**
Thereof:				
Attributable to Munich Re equity holders	**202**	**320**	**463**	**259**
Atrributable to minority interests	–	–	–	–

[1] Previous year's figures adjusted owing to first-time application of IFRS 8.
[2] Adjusted pursuant to IAS 8.

					Primary insurance		Asset management		Consolidation		Total	
	Life		Health		Property-casualty							
	Q1 2009	Q1 2008	Q1 2009	Q1 2008	Q1 2009	Q1 2008	Q1 2009	Q1 2008	Q1 2009	Q1 2008	Q1 2009	Q1 2008
	1,512	1,432	1,590	1,554	1,629	1,623	–	–	–272	–317	10,367	9,842
	–	5	–	1	5	–3	–	–	–272	–317	–	–
	1,512	1,427	1,590	1,553	1,624	1,626	–	–	–	–	10,367	9,842
	1,513	1,431	1,487	1,441	1,218	1,193	–	–	–222	–287	9,386	8,866
	135	151	52	90	127	117	–	–	–222	–287	389	323
	1,378	1,280	1,435	1,351	1,091	1,076	–	–	–	–	8,997	8,543
	511	382	300	247	44	55	–	–	–63	–77	1,150	1,101
	1,620	1,512	1,477	1,320	763	665	–	–	–188	–237	7,543	7,087
	49	92	45	62	73	66	–	–	–131	–190	183	154
	1,571	1,420	1,432	1,258	690	599	–	–	–57	–47	7,360	6,933
	264	242	235	228	399	379	–	–	–67	–62	2,320	2,159
	66	38	4	21	21	19	–	–	–84	–75	84	51
	198	204	231	207	378	360	–	–	17	13	2,236	2,108
	11	4	1	1	–	–	–	–	–	–	14	6
	120	38	72	133	67	172	–	–	–23	–43	551	603
	1,236	1,321	391	523	171	198	4	24	–288	–73	3,586	4,530
	843	866	113	364	107	95	1	1	–27	–15	2,221	2,855
	393	455	278	159	64	103	3	23	–261	–58	1,365	1,675
	718	670	271	247	88	81	2	4	–94	–82	1,635	1,565
	15	21	5	7	1	1	–	–	–1	–1	49	47
	390	463	31	171	58	57	–	1	–	–	960	1,667
	94	344	16	120	12	4	–	–	–	–	418	1,159
	–19	–3	8	–	–29	4	–	18	–	–	–47	47
	131	132	24	18	102	110	59	65	–250	–245	120	174
	4	11	1	3	1	3	–	3	–1	–1	24	36
	–	–	–	–	–	–	–	–	–	–	–	–
	146	139	31	26	142	157	46	57	–273	–273	140	158
	1	2	5	2	35	45	3	7	–23	–31	35	33
	9	7	2	1	4	3	–	–	–	–	20	17
	–511	–382	–300	–247	–44	–55	–	–	63	77	–1,150	–1,101
	–133	66	–29	–96	–20	1	16	31	–175	47	195	590
	–13	104	43	37	47	173	16	31	–198	4	746	1,193
	–69	–23	–26	–18	–26	–25	–2	–1	19	–1	–67	–139
	3	31	15	7	10	39	6	5	2	1	259	277
	–85	**50**	**2**	**12**	**11**	**109**	**8**	**25**	**–181**	**2**	**420**	**777**
	–89	**46**	**1**	**14**	**12**	**101**	**8**	**25**	**–182**	**2**	**415**	**767**
	4	**4**	**1**	**–2**	**–1**	**8**	**–**	**–**	**1**	**–**	**5**	**10**

Segment reporting

Investments[1, 2]

€m	Reinsurance 31.3.2009	Reinsurance 31.12.2008	Primary insurance 31.3.2009	Primary insurance 31.12.2008	Asset management 31.3.2009	Asset management 31.12.2008	Total 31.3.2009	Total 31.12.2008
Europe	35,229	36,223	104,725	103,602	290	399	140,244	140,224
North America	28,442	25,934	2,935	3,545	16	28	31,393	29,507
Asia and Australasia	2,678	2,494	624	752	32	25	3,334	3,271
Africa, Near and Middle East	1,167	1,099	173	93	–	–	1,340	1,192
Latin America	588	635	140	148	–	–	728	783
Total	**68,104**	**66,385**	**108,597**	**108,140**	**338**	**452**	**177,039**	**174,977**

[1] After elimination of intra-Group transactions across segments.
[2] Previous year's figures adjusted owing to first-time application of IFRS 8.

Gross premiums written[1, 2]

€m	Reinsurance Q1 2009	Reinsurance Q1 2008[3]	Primary insurance Q1 2009	Primary insurance Q1 2008	Total Q1 2009	Total Q1 2008
Europe	2,615	2,669	4,694	4,606	7,309	7,275
North America	2,007	1,509	–	–	2,007	1,509
Asia and Australasia	541	523	32	–	573	523
Africa, Near and Middle East	240	235	–	–	240	235
Latin America	238	300	–	–	238	300
Total	**5,641**	**5,236**	**4,726**	**4,606**	**10,367**	**9,842**

[1] After elimination of intra-Group reinsurance across segments.
[2] Previous year's figures adjusted owing to first-time application of IFRS 8.
[3] Adjusted pursuant to IAS 8.

Selected notes to the consolidated financial statements

Recognition and measurement

This quarterly report as at 31 March 2009 has been prepared in accordance with International Financial Reporting Standards (IFRSs) as applicable in the European Union. We have complied with all new and amended IFRSs and IFRIC interpretations whose application is compulsory for the first time for periods beginning on 1 January 2009.

The following new or revised standards are of significance:

The implementation of IFRS 8, Operating Segments, to be applied for the first time as from 1 January 2009, has resulted in additional disclosures in the notes and a modified disclosure of items in our segment reporting.

The business fields in which we operate continue to form the basis for identifying the segments to be reported. In accordance with the "management approach", the way in which the Munich Re Group is managed internally constitutes the basis for the changes in disclosure described in the following. In primary insurance, we now separate the life and health segment into the two individual segments, life and health.

Health reinsurance and our specialised insurers in international health primary insurance business that are managed from within the reinsurance organisation, together with the international health primary insurance business conducted by ERGO, form the business field of International Health. Owing to its still relatively small size, International Health – which is now operating under the brand name of Munich Health – is split up, with some sections of it being shown together with life reinsurance and some together with German health primary insurance.

In the Munich Re Group, different performance indicators and measures are used depending on the type and duration of the business conducted. Besides this, IFRS result contributions are a central feature of planning and strategy in all segments. Therefore the uniform assessment basis used for the measure of segment result is the operating result adjusted to eliminate non-operating components (e.g. foreign currency gains and losses, income and expenses from the sale of intangible assets).

In line with our internal management approach, the operating result is being split into a technical result and a non-technical result as from the beginning of the first quarter of 2009, with an interest component allocated to the underwriting business in the form of income from technical interest. This interest income derives from the investment of the technical provisions and the entitlement of policyholders to portions of the non-technical result (cf. information on income on from technical interest, page 48). There continues to be comparability with prior periods, since it is possible to reconcile the current figures to the previous IFRS segment results by reallocating the result components.

For reasons of consistency and comparability, we have adjusted the structure of our consolidated income statement in accordance with our segment income statement. Differences merely exist in the degree of detail of individual items and, in particular, in the disclosure of the non-operating result components. In the segment disclosure, the latter components are combined, since they are not part of the defined performance measure and were not planned on a segment-related basis. To meet the IFRS 8 requirements for additional segment disclosures of certain income and expense components, we provide extra "thereof" items in the segment income statement. In connection with the first-time application of IFRS 8, we have refined our system for distributing taxes on income between the reinsurance segments with a view to achieving a more direct allocation. Owing to the reallocation of Europäische Reiseversicherung within the primary insurance segment and the management-related reallocation of the Watkins Syndicate from primary insurance to the reinsurance segment, the composition of our reported segments has changed. The relevant items of the segment information for the previous year have been adjusted.

The main change in IAS 1 (rev. 2007), Presentation of Financial Statements, is that tax effects included in income and expenses recognised directly in equity are disclosed separately in the notes to the consolidated financial statements. In addition, IAS 1 now always requires the publication of the earliest comparative period in the consolidated financial statements when an accounting policy is applied retrospectively. Non-owner changes in equity now have to be disclosed in a separate statement of recognised income and expense, with only the total shown in the changes in equity. We already met this requirement in the previous year. We do not avail ourselves of the options to rename individual components of the financial statements or to publish a single statement of income combining the income statement and the statement of recognised income and expense.

First-time application of other new or amended IFRSs or IFRIC interpretations have had no material impact.

Owing to the introduction of new IT systems, we are now able to show provisions for disability benefits separately from provisions for future policy benefits. This has resulted in a reclassification of these disability reserves from the provisions for future policy benefits to the provisions for outstanding claims. This change has no effect on equity.

Otherwise, the same principles of recognition, measurement and consolidation have been applied as in our consolidated financial statements as at 31 December 2008. In accordance with IAS 34.41, greater use is made of estimation methods and planning data in preparing our quarterly figures than in our annual financial reporting.

Taxes on income in the Munich Re Group's quarterly financial statements are calculated in the same way as for the consolidated financial statements as at 31 December 2008, i.e. a direct tax calculation is made per quarterly result of the individual consolidated companies.

Changes in the consolidated group

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

On 31 March 2009, through its subsidiary Munich-American Holding Corporation, Wilmington, Delaware, the Munich Re Group acquired 100% of the share capital of HSB Group Inc. (HSB Group), based in Wilmington, Delaware, for a total of €563.6m. The purchase price includes all directly assignable incidental acquisition expenses such as fees for external consulting services and taxes incurred.

The HSB Group is one of the world's leading providers of insurance for machinery breakdown and engineering risks, other specialty insurances, and inspection, certification and engineering services. The core of the HSB Group is Hartford Steam Boiler Inspection and Insurance Company, one of the largest insurance and inspection companies specialising in engineering risks in the USA.

The combined opening balance sheet of the HSB Group at the time of acquisition, after elimination of its intra-group business, includes the following provisional IFRS figures (the amounts in brackets are the figures directly prior to the business combination): intangible assets of €116.9m (1.7m), investments of €885.1m (885.1m), a ceded share of technical provisions of €151.2m (151.2m), cash at banks, cheques and cash in hand of €31.5 (31.5m), deferred acquisition costs of €58.8m (58.8m), receivables, deferred tax assets and other assets of €281.6m (320.9m), subordinated liabilities of €31.5m (60.2m), gross technical provisions of €680.1m (680.1m), and other provisions, deferred tax liabilities and other liabilities of €278.2m (263.6m).

In connection with the acquisition of the HSB Group, goodwill of €28.3m and other intangible assets of €115.2m have been recognised. The goodwill is based mainly on the exploitation of additional future business potential and the use of the sales, marketing and insurance know-how by the Munich Re Group.

The goodwill includes the value assigned to the HSB Group's staff.

As the acquisition of the HSB Group was not completed until 31 March 2009, no income and expenses of the HSB Group have been recognised in the consolidated income statement so far.

If the acquisition of the HSB Group had already been concluded at the beginning of the financial year, the Munich Re Group's gross premiums written would have amounted to €10,543.5m and the consolidated result to €429.5m. The HSB Group's share of the gross premiums written and the consolidated result is based on US GAAP.

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	31.3.2009	31.12.2008	Q1 2009	Q1 2008
Australian dollar	1.91090	1.99375	1.96394	1.65661
Canadian dollar	1.67045	1.71600	1.62405	1.50544
Pound sterling	0.92630	0.96685	0.90966	0.75742
Rand	12.62650	12.85100	12.96380	11.30410
Swiss franc	1.50965	1.47955	1.49659	1.60073
US dollar	1.32770	1.39005	1.30438	1.49863
Yen	131.1370	126.0080	122.1650	157.7030

Notes to the consolidated balance sheet

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

Intangible assets

€m	31.3.2009	31.12.2008
I. Goodwill	3,578	3,570
II. Other intangible assets	1,878	1,786
Thereof:		
Software	344	342
Purchased insurance portfolios	711	721
Other	823	723
Total	**5,456**	**5,356**

The deterioration in parameters caused by the spreading of the financial crisis to the real economy prompted us to critically review the business plans of our international primary insurance companies and, in some cases, adjust them downwards. We therefore made write-downs of around €81m for impairments of goodwill, in particular for Bank Austria Creditanstalt Versicherung (BACAV), whose goodwill we wrote off completely.

Number of shares in circulation and number of own shares held

	31.3.2009	31.12.2008
Number of shares in circulation	195,087,851	195,655,351
Number of own shares held	11,315,953	10,748,453
Total	**206,403,804**	**206,403,804**

The equities portfolio contains 9,002,180 shares acquired in the share buy-back programme decided on by the Board of Management on 6 May 2008. The shares were retired on 2 April 2009.

Minority interests

€m	31.3.2009	31.12.2008
Unrealised gains and losses	7	18
Consolidated result	5	18
Other equity	260	254
Total	**272**	**290**

These are mainly minority interests in the ERGO Insurance Group.

Subordinated liabilities

€m	31.3.2009	31.12.2008
Munich Reinsurance Company, Munich, 6.75% until 2013, thereafter floating, €2,907m Bonds 2003/2023 S&P rating: A	2,888	2,981
Munich Reinsurance Company, Munich, 7.625% until 2018, thereafter floating, £300m, Bonds 2003/2028 S&P rating: A	322	308
Munich Reinsurance Company, Munich, 5.767% until 2017, thereafter floating, €1,384m[1], Bonds 2007/perpetual S&P rating: A	1,534	1,613
The Midland Company, Cincinnati, LIBOR +350 BP, US$ 24m, Bonds 2004/2034 Rating: –	18	17
Bank Austria Creditanstalt Versicherung AG, Vienna, 4.95%, €50m, Registered bonds 2004/2014 Rating: –	46	45
Bank Austria Creditanstalt Versicherung AG, Vienna, 6% until 2010, thereafter floating, €12m[2], Registered bonds 2001/perpetual Rating: –	8	7
Bank Austria Creditanstalt Versicherung AG, Vienna, secondary market yield on federal government bonds (Austria) +70 BP, €13m[3], Registered bonds 1998/perpetual Rating: –	8	8
HSB Capital I, Delaware LIBOR +91 BP, US$ 76m[4], Bonds 1997/2027 Rating: –	31	–
Total	**4,855**	**4,979**

[1] Bank Austria Creditanstalt Versicherung AG, consolidated in the financial statements, holds bonds with a nominal value of €2m; the volume outstanding has been reduced accordingly.

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

[3] ERGO AG holds bonds with a nominal value of €3m; the volume outstanding has been reduced accordingly.

[4] HSB Group Inc., Delaware, consolidated in the financial statements for the first time as at 31 March 2009, holds bonds with a nominal value of US$ 34m; the volume outstanding has been reduced accordingly.

Bonds and notes issued

€m	31.3.2009	31.12.2008
Munich Re America Corporation, Princeton, 7.45%, US$ 421m, Senior notes 1996/2026[1] S&P rating: A–	317	302
Total	**317**	**302**

[1] In August 2008, the issuer bought back notes with a nominal value of US$ 79m.

Notes to the consolidated income statement

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

Premiums[1, 2]

	Reinsurance				Primary insurance						Total	
	Life and health		Property-casualty		Life		Health		Property-casualty			
€m	Q1 2009	Q1 2008[3]	Q1 2009	Q1 2008	Q1 2009	Q1 2008	Q1 2009	Q1 2008	Q1 2009	Q1 2008	Q1 2009	Q1 2008
Gross premiums written	1,700	1,481	3,941	3,755	1,512	1,427	1,590	1,553	1,624	1,626	10,367	9,842
Change in unearned premiums Gross	16	16	453	419	–	–4	103	113	409	432	981	976
Gross earned premiums	**1,684**	**1,465**	**3,488**	**3,336**	**1,512**	**1,431**	**1,487**	**1,440**	**1,215**	**1,194**	**9,386**	**8,866**
Ceded premiums written	75	73	249	249	32	32	3	7	45	44	404	405
Change in unearned premiums Ceded share	–	–	27	71	–	–	1	1	–13	10	15	82
Earned premiums Ceded	**75**	**73**	**222**	**178**	**32**	**32**	**2**	**6**	**58**	**34**	**389**	**323**
Net earned premiums	**1,609**	**1,392**	**3,266**	**3,158**	**1,480**	**1,399**	**1,485**	**1,434**	**1,157**	**1,160**	**8,997**	**8,543**

[1] After elimination of intra-Group transactions across segments.
[2] Previous year's figures adjusted owing to first-time application of IFRS 8.
[3] Adjusted pursuant to IAS 8.

Income from technical interest[1]

	Reinsurance				Primary insurance						Total	
	Life and health		Property-casualty		Life		Health		Property-casualty			
€m	Q1 2009	Q1 2008	Q1 2009	Q1 2008	Q1 2009	Q1 2008	Q1 2009	Q1 2008	Q1 2009	Q1 2008	Q1 2009	Q1 2008
Income from technical interest	100	91	195	326	511	382	300	247	44	55	1,150	1,101

[1] After elimination of intra-Group transactions across segments.

The income from technical interest is the amount earned by assumed insurance business from the mainly risk-free investment of the premium income. Its composition varies from segment to segment, depending on the type of insurance business conducted and the related statutory regulations. In the property-casualty segment, it corresponds both in reinsurance and primary insurance to the risk-free interest on our technical provisions, as derived from our replication portfolio. In the case of discounted provisions (personal accident insurance with premium refund, workers' compensation insurance), it corresponds to the regular unwinding of the discount.

For the life and health segment in reinsurance, the interest on the provisions is based mainly on contractual agreements (in Germany, for example, at least the guaranteed interest rate).

In primary insurance, the income from technical interest in the life segment corresponds to the policyholders' participation in investments and the other non-technical result components in the form of guaranteed interest and profit sharing (provision for current and deferred premium refunds), plus net unrealised gains from unit-linked life insurance. In the health segment, the income from technical interest corresponds to the allocation of interest to the ageing reserve (actuarial interest) and the allocation to the provision for current and deferred premium refunds, which is based on the investment result exceeding the actuarial interest and on policyholders' participation in the other non-technical result components.

Expenses for claims and benefits[1,2]

	Reinsurance				Primary insurance						Total	
	Life and health		Property-casualty		Life		Health		Property-casualty			
€m	Q1 2009	Q1 2008[3]	Q1 2009	Q1 2008	Q1 2009	Q1 2008	Q1 2009	Q1 2008	Q1 2009	Q1 2008	Q1 2009	Q1 2008
Gross												
Claims and benefits paid	1,047	959	2,161	2,266	1,637	1,511	1,120	1,020	725	644	6,690	6,400
Change in technical provisions												
Provision for future policy benefits	106	132	–	21	59	90	285	297	8	9	458	549
Provision for outstanding claims	153	–17	200	204	6	–20	–57	–42	19	8	321	133
Provision for premium refunds	–	–	–2	2	–125	–82	126	48	4	4	3	–28
Other technical result	13	11	5	6	45	13	–	–	8	3	71	33
Gross expenses for claims and benefits	**1,319**	**1,085**	**2,364**	**2,499**	**1,622**	**1,512**	**1,474**	**1,323**	**764**	**668**	**7,543**	**7,087**
Ceded share												
Claims and benefits paid	7	42	203	514	24	21	1	2	25	–8	260	571
Change in technical provisions												
Provision for future policy benefits	8	–25	–	–	12	16	–1	–	–	–	19	–9
Provision for outstanding claims	33	–3	–95	–395	–2	–1	–	–	–7	17	–71	–382
Provision for premium refunds	–	–	–	–	–	–	–	–	–	–	–	–
Other technical result	–2	–3	–6	–6	–18	–17	–	–	1	–	–25	–26
Expenses for claims and benefits Ceded share	**46**	**11**	**102**	**113**	**16**	**19**	**–**	**2**	**19**	**9**	**183**	**154**
Net												
Claims and benefits paid	1,040	917	1,958	1,752	1,613	1,490	1,119	1,018	700	652	6,430	5,829
Change in technical provisions												
Provision for future policy benefits	98	157	–	21	47	74	286	297	8	9	439	558
Provision for outstanding claims	120	–14	295	599	8	–19	–57	–42	26	–9	392	515
Provision for premium refunds	–	–	–2	2	–125	–82	126	48	4	4	3	–28
Other technical result	15	14	11	12	63	30	–	–	7	3	96	59
Net expenses for claims and benefits	**1,273**	**1,074**	**2,262**	**2,386**	**1,606**	**1,493**	**1,474**	**1,321**	**745**	**659**	**7,360**	**6,933**

[1] After elimination of intra-Group transactions across segments.
[2] Previous year's figures adjusted owing to first-time application of IFRS 8.
[3] Adjusted pursuant to IAS 8.

Operating expenses[1, 2]

	Reinsurance				Primary insurance						Total	
	Life and health		Property-casualty		Life		Health		Property-casualty			
€m	Q1 2009	Q1 2008	Q1 2009	Q1 2008	Q1 2009	Q1 2008	Q1 2009	Q1 2008	Q1 2009	Q1 2008	Q1 2009	Q1 2008
Acquisition costs	13	–12	8	–8	185	177	187	180	235	219	628	556
Administration expenses	84	58	229	177	65	64	52	50	165	159	595	508
Amortisation and impairment losses of acquired insurance portfolios	2	1	–	–	10	4	1	1	–	–	13	6
Reinsurance commission and profit commission	324	309	747	773	9	2	2	3	2	2	1,084	1,089
Gross operating expenses	**423**	**356**	**984**	**942**	**269**	**247**	**242**	**234**	**402**	**380**	**2,320**	**2,159**
Ceded share of acquisition costs	1	6	14	–	–1	–1	–	–	1	–2	15	3
Commission received on ceded business	19	16	44	26	4	4	1	2	1	–	69	48
Operating expenses Ceded share	**20**	**22**	**58**	**26**	**3**	**3**	**1**	**2**	**2**	**–2**	**84**	**51**
Net operating expenses	**403**	**334**	**926**	**916**	**266**	**244**	**241**	**232**	**400**	**382**	**2,236**	**2,108**

[1] After elimination of intra-Group transactions across segments.
[2] Previous year's figures adjusted owing to first-time application of IFRS 8.

Investment result by investment class and segment (before deduction of technical interest)[1, 2]

	Reinsurance				Primary insurance						Asset management		Total	
	Life and health		Property-casualty		Life		Health		Property-casualty					
€m	Q1 2009	Q1 2008[3]	Q1 2009	Q1 2008	Q1 2009	Q1 2008	Q1 2009	Q1 2008	Q1 2009	Q1 2008	Q1 2009	Q1 2008	Q1 2009	Q1 2008
Land and buildings, including buildings on third-party land	10	–3	36	–11	27	11	10	9	1	2	1	1	85	9
Investments in affiliated companies	–	–	–	–	–5	–1	–5	–1	1	–	–	–	–9	–2
Investments in associates	–1	1	–6	27	–19	–3	8	–	–29	4	–	18	–47	47
Loans	2	1	6	2	294	269	132	113	23	18	–	–1	457	402
Other securities held to maturity	–	–	–	–	2	2	–	–	–	–	–	–	2	2
Other securities available for sale														
Fixed-interest	176	252	167	463	355	406	126	118	47	64	2	1	873	1,304
Non-fixed-interest	8	–164	11	–725	–228	–356	–29	–198	–34	44	–	–	–272	–1,399
Other securities at fair value through profit or loss														
Held for trading														
Fixed-interest	–	–	4	15	4	1	–	–	–	–	–	–	8	16
Non-fixed-interest	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Derivatives	46	177	217	855	36	345	42	116	26	13	–	–	367	1,506
Designated as at fair value through profit or loss														
Fixed-interest	–	–	–	–	2	–	–	–	–	–	–	–	2	–
Non-fixed-interest	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Deposits retained on assumed reinsurance, and other investments	50	47	–14	14	–2	–	2	–	6	9	1	2	43	72
Investments for the benefit of life insurance policyholders who bear the investment risk	–	–	–	–	–42	–193	–	–	–	–	–	–	–42	–193
Expenses for the management of investments, other expenses	11	7	41	30	34	37	9	10	6	6	1	–1	102	89
Total	**280**	**304**	**380**	**610**	**390**	**444**	**277**	**147**	**35**	**148**	**3**	**22**	**1,365**	**1,675**

[1] After elimination of intra-Group transactions across segments.
[2] Previous year's figures adjusted owing to first-time application of IFRS 8.
[3] Adjusted pursuant to IAS 8.

Investment income by segment (before deduction of technical interest)[1, 2]

	Reinsurance				Primary insurance						Asset management		Total	
	Life and health		Property-casualty		Life		Health		Property-casualty					
€m	Q1 2009	Q1 2008[3]	Q1 2009	Q1 2008	Q1 2009	Q1 2008	Q1 2009	Q1 2008	Q1 2009	Q1 2008	Q1 2009	Q1 2008	Q1 2009	Q1 2008
Regular income	279	276	342	380	768	716	290	289	62	89	3	23	1,744	1,773
Thereof: Income from interest	263	275	313	316	706	652	266	240	85	78	2	4	1,635	1,565
Income from write-ups	71	130	225	561	94	344	16	120	12	4	–	–	418	1,159
Gains on the disposal of investments	192	187	723	918	341	239	80	100	67	148	1	–	1,404	1,592
Other income	–	–	–	–	20	6	–	–	–	–	–	–	20	6
Total	**542**	**593**	**1,290**	**1,859**	**1,223**	**1,305**	**386**	**509**	**141**	**241**	**4**	**23**	**3,586**	**4,530**

1 After elimination of intra-Group transactions across segments.
2 Previous year's figures adjusted owing to first-time application of IFRS 8.
3 Adjusted pursuant to IAS 8.

Investment expenses by segment (before deduction of technical interest)[1, 2]

	Reinsurance				Primary insurance						Asset management		Total	
	Life and health		Property-casualty		Life		Health		Property-casualty					
€m	Q1 2009	Q1 2008[3]	Q1 2009	Q1 2008	Q1 2009	Q1 2008	Q1 2009	Q1 2008	Q1 2009	Q1 2008	Q1 2009	Q1 2008	Q1 2009	Q1 2008
Write-downs of investments	129	184	352	791	390	463	31	171	58	57	–	1	960	1,667
Losses on the disposal of investments	115	95	495	411	333	141	61	173	41	30	–	–	1,045	850
Management expenses, interest charges and other expenses	18	10	63	47	110	257	17	18	7	6	1	–	216	338
Thereof: Interest charges	10	7	19	12	15	21	5	7	–	–	–	–	49	47
Total	**262**	**289**	**910**	**1,249**	**833**	**861**	**109**	**362**	**106**	**93**	**1**	**1**	**2,221**	**2,855**

1 After elimination of intra-Group transactions across segments.
2 Previous year's figures adjusted owing to first-time application of IFRS 8.
3 Adjusted pursuant to IAS 8.

Other operating result[1]

	Reinsurance				Primary insurance						Asset management		Total	
	Life and health		Property-casualty		Life		Health		Property-casualty					
€m	Q1 2009	Q1 2008	Q1 2009	Q1 2008	Q1 2009	Q1 2008	Q1 2009	Q1 2008	Q1 2009	Q1 2008	Q1 2009	Q1 2008	Q1 2009	Q1 2008
Other operating income	27	28	22	61	29	31	16	9	13	23	13	22	120	174
Other operating expenses	20	20	23	31	36	29	16	13	34	46	11	19	140	158

1 After elimination of intra-Group transactions across segments.

The other operating income mainly comprises income of €63m (74m) from services rendered, interest and similar income of €24m (36m), income of €20m (55m) from the release/reduction of miscellaneous provisions and adjustments of values for receivables, and income of €9m (8m) from owner-occupied property that is sometimes leased out.

In addition to expenses of €35m (71m) for services rendered, the other operating expenses chiefly include interest charges and similar expenses of €37m (34m), other write-downs of €13m (15m), and other tax of €7m (5m). They also contain expenses of €7m (3m) for owner-occupied property that is sometimes leased out.

Other non-operating result, impairment losses of goodwill and finance costs[1]

	Reinsurance				Primary insurance						Asset management		Total	
	Life and health		Property-casualty		Life		Health		Property-casualty					
€m	Q1 2009	Q1 2008	Q1 2009	Q1 2008	Q1 2009	Q1 2008	Q1 2009	Q1 2008	Q1 2009	Q1 2008	Q1 2009	Q1 2008	Q1 2009	Q1 2008
Other non-operating income	129	135	398	343	376	206	230	137	106	51	2	3	1,241	875
Other non-operating expenses	97	130	319	340	372	229	256	155	98	71	3	3	1,145	928
Impairment losses of goodwill	–	–	–	–	70	–	–	–	11	–	–	–	81	–
Finance costs	25	26	50	53	1	–	–	–	6	6	–	1	82	86

[1] After elimination of intra-Group transactions across segments.

The other non-operating income is income unrelated to the conclusion, administration or settlement of insurance contracts or the administration of investments. Besides foreign currency exchange gains of €1,096m (846m), it contains other non-technical income of €145m (29m).

The other non-operating expenses are expenses unrelated to the conclusion, administration or settlement of insurance contracts or the administration of investments. Besides foreign currency exchange losses of €1,059m (868m), they include write-downs of €28m (11m) on other intangible assets, and other non-technical expenses of €58m (49m), such as expenses unrelated to the accounting period, project costs and other amounts that cannot be allocated elsewhere or restructuring expenses.

Non-current assets and disposal groups held for sale

The property portfolio of HGE Haus- und Grundbesitzgesellschaft Elsterwerda mbH was classified in disposal groups in the second quarter of 2007; the carrying amount of this property remains unchanged at the reporting date. The sale has been postponed to 2009 owing to the global financial crisis.

In addition, ERGO Versicherungsgruppe AG plans to sell its stake in Vereinsbank Victoria Bauspar (VVB) in 2009. The participation, amounting to 30% of the shares, is shown as an associate and valued at equity. This asset and the portion of the provision for deferred premium refunds relating to it have been classified in a disposal group as "held for sale". Subsequent valuation at the balance sheet date gave rise to a write-down of €5.7m.

Related parties

Transactions between Munich Re 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.

There were no notifiable transactions between Board members and the Munich Re Group.

Number of staff

The number of staff employed by the Group as at 31 March 2009 totalled 25,266 (25,437) in Germany and 21,954 (18,772) in other countries.

Number of staff[1]

	31.3.2009	31.12.2008
Reinsurance companies	13,399	10,795
Primary insurance companies	33,016	32,606
Asset management	805	808
Total	**47,220**	44,209

[1] Previous year's figures adjusted owing to first-time application of IFRS 8.

The increase is mainly due to the acquisition of the HSB Group.

Contingent liabilities, other financial commitments

In comparison with the situation at 31 December 2008, financial commitments of significance for the assessment of the Group's financial position show no significant changes. No contingent liabilities have been entered into for the benefit of Board members.

Earnings per share

The earnings per share figure is calculated by dividing the consolidated result for the reporting period by the weighted average number of shares.

Earnings per share

		Q1 2009	Q1 2008
Consolidated result attributable to Munich Re equity holders	€m	415	767
Weighted average number of shares		195,347,079	204,688,259
Earnings per share	€	2.12	3.75

Events after the balance sheet date

On 2 April 2009, Munich Reinsurance Company's Board of Management resolved that 9,002,180 own shares acquired in the share buy-back programme be retired in a simplified process, without reducing the share capital but merely by adjusting the proportion of the Company's share capital represented by each of the remaining no-par-value shares. The 9,002,180 own shares are thereby retired.

On 30 April 2009, we reduced our stake in Admiral Group Plc, Cardiff, from 15.1% to 10.2%. This involved selling 13 million shares with a market value of around €130m. The resulting gain of €107m will be recognised in the second quarter of 2009.

Drawn up and released for publication, Munich, 5 May 2009

The Board of Management

Review report

To Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München

We have reviewed the condensed interim consolidated financial statements – comprising the balance sheet, the income statement, the condensed statement of recognised income and expense, the statement of changes in equity, the condensed cash flow statement as well as the selected explanatory notes – and the interim management report of Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München, for the period from 1 January 2009 to 31 March 2009, which are parts of the quarterly financial report in accordance with Section 37 x para. 3 of the WpHG (German Securities Trading Act). The preparation of the condensed interim consolidated financial statements in accordance with IFRS for Interim Financial Reporting, as adopted by the EU, and of the interim management report, which has been prepared according to the applicable regulations for interim management reports of the WpHG, are the responsibility of the Company's management. Our responsibility is to issue a report on these condensed interim consolidated financial statements and the interim management report based on our review.

We have performed our review of the condensed interim consolidated financial statements and the interim management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and conduct the review so that we can, through critical evaluation, preclude, with a certain level of assurance, that the interim consolidated financial statements have not been prepared, in material aspects, in accordance with IFRS for Interim Financial Reporting, as adopted by the EU, and that the interim management report has not been prepared according to the applicable regulations of the WpHG. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared in all material respects in accordance with IFRS for Interim Financial Reporting, as adopted by the EU, and that the interim management report has not been prepared according to the applicable regulations for interim management reports of the WpHG.

Munich, 6 May 2009
KPMG Bayerische Treuhandgesellschaft
Aktiengesellschaft Wirtschaftsprüfungsgesellschaft

Klaus Becker
Wirtschaftsprüfer
(Certified public accountant)

Martin Berger
Wirtschaftsprüfer
(Certified public accountant)

Important dates 2009/2010

2009	
4 August 2009	Interim report as at 30 June 2009
4 August 2009	Half-year press conference
5 November 2009	Interim report as at 30 September 2009

2010	
10 March 2010	Balance sheet press conference for 2009 financial statements
28 April 2010	Annual General Meeting
29 April 2010	Dividend payment
7 May 2010	Interim report as at 31 March 2010
4 August 2010	Interim report as at 30 June 2010
4 August 2010	Half-year press conference
9 November 2010	Interim report as at 30 September 2010

Münchener Rückversicherungs-Gesellschaft
Königinstrasse 107
80802 München
Germany
www.munichre.com

Responsible for content
Group Reporting

Editorial deadline: 5 May 2009

Printed by
Color Gruppe
Geretsrieder Strasse 10
81379 München
Germany

The official German original of this report is also available from the Company. In addition, you can find our annual and interim reports, along with further information about Munich Re, on the internet at www.munichre.com.

Service for investors and analysts
If you have general questions on Munich Re shares, please use our shareholder hotline:
Tel.: 0 18 02/22 62 10
(Note for callers from Germany: 6 cents per call from a German fixed network, with varying prices from German mobile phone networks)
E-mail: shareholder@munichre.com

If you are an institutional investor or analyst, please contact our investor relations team:
Christian Becker-Hussong
Tel.: +49 (89) 38 91-39 10
Fax: +49 (89) 38 91-98 88
E-mail: ir@munichre.com

Service for media
Journalists may address their queries to our Media Relations Department:
Johanna Weber
Tel.: +49 (89) 38 91-26 95
Fax: +49 (89) 38 91-35 99
E-mail: presse@munichre.com

Königinstrasse 107
80802 München
Germany

Order number 302-05996