

MUNICH RE  
HALF-YEAR FINANCIAL REPORT  
2010



## 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)<sup>1</sup>

| <b>Munich Re (Group)</b>                   |    | Q1-2 2010 | Q1-2 2009 | Change | Q2 2010 | Q2 2009 | Change |
|--|----|-----------|-----------|--------|---------|---------|--------|
|  |    |           |           | %      |         |         | %      |
| Gross premiums written                     | €m | 22,613    | 20,693    | 9.3    | 10,956  | 10,326  | 6.1    |
| Technical result                           | €m | 677       | 1,018     | -33.5  | 539     | 478     | 12.8   |
| Investment result                          | €m | 5,078     | 3,555     | 42.8   | 2,618   | 2,188   | 19.7   |
| Operating result                           | €m | 2,218     | 2,109     | 5.2    | 1,448   | 1,373   | 5.5    |
| Taxes on income                            | €m | 445       | 568       | -21.7  | 372     | 312     | 19.2   |
| Consolidated result                        | €m | 1,194     | 1,134     | 5.3    | 709     | 697     | 1.7    |
| Thereof attributable to minority interests | €m | 3         | 16        | -81.3  | -       | 12      | -100.0 |
| Earnings per share                         | €  | 6.33      | 5.73      | 10.5   | 3.80    | 3.51    | 8.3    |
| <b>Combined ratio</b>                      |    |           |           |        |         |         |        |
| Reinsurance property-casualty              | %  | 106.4     | 97.9      |        | 103.8   | 98.4    |        |
| Primary insurance property-casualty        | %  | 96.6      | 94.7      |        | 94.5    | 93.3    |        |
| Munich Health                              | %  | 100.4     | 98.7      |        | 99.5    | 97.8    |        |

|   |     | 30.6.2010 | 31.12.2009 | Change |
|---|-----|-----------|------------|--------|
|   |     |           |            | %      |
| Investments   | €m  | 192,462   | 182,175    | 5.6    |
| Equity  | €m  | 23,749    | 22,278     | 6.6    |
| Net technical provisions  | €m  | 172,323   | 163,934    | 5.1    |
| Employees   |     | 47,087    | 47,249     | -0.3   |
| Share price   | €   | 103.35    | 108.67     | -4.9   |
| Munich Reinsurance Company's market capitalisation <sup>2</sup> | €bn | 19.5      | 21.5       | -9.2   |

<sup>1</sup> Previous year's figures adjusted owing to first-time recognition of Munich Health as a separate segment (see "Recognition and measurement") and to IFRS 3.62 and IAS 8.

<sup>2</sup> This includes own shares earmarked for retirement.

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## To our shareholders



**Dr. Nikolaus von Bomhard**  
Chairman of the Board of  
Management of Munich  
Reinsurance Company

### Dear Shareholders,

In a difficult economic environment and despite an exceptionally large burden from natural catastrophes and other major losses, we can report a result of €1,194m for the first half-year. This is the outcome of contrasting developments: while the technical result was again hit by large losses in the quarter under review, we were able to post a gratifying profit from investments.

In 2009, as part of our strategic asset allocation, we made shifts in our portfolios of fixed-interest securities, reducing undesirable exposures and improving the risk diversification. This enabled us to achieve gains on the disposal of government and corporate bonds in the second quarter of this year. In our reinvestments, we have lengthened the maturities and secured a higher interest-rate level. Given the size of our overall portfolio, we were well able to absorb losses in the value of bonds from individual EU states. Indeed, they were more than compensated for by the growth in value of our substantial portfolio of German and US government bonds, which were in great demand as “safe havens”.

The most important development for the Group in the current year is the realignment of the ERGO brand. “To insure is to understand” – this is the claim with which ERGO aims to set itself apart from the competition in the German insurance market. What is emerging is a distinctive ERGO brand, a new type of insurer in Germany. The switch from the Hamburg-Mannheimer and Victoria brands to ERGO and the revamped logo are just the first, outwardly visible steps. ERGO has formulated a new maxim for its approach to and handling of clients: open and direct. All employees will gear their actions to this maxim in future, which forms the basis of a completely new value proposition for its stakeholders, especially clients. ERGO is already among the leaders in claims management. In future, it also aims to convince customers with more extensive advice and easier-to-understand products. ERGO wants to put people at the centre rather than contracts or clauses, thus meeting customers’ wishes for a partnership-type relationship with their insurer. That is how ERGO will establish itself as a strong brand. The realignment was preceded by years of extensive changes in ERGO’s internal business processes, especially the creation of a joint back-office for the segments life, property-casualty and health insurance, about which I have reported to you before.

The claims balance in reinsurance is heavily marked by the losses caused by the sinking of the Deepwater Horizon in the Gulf of Mexico on 22 April 2010. This was the biggest accident involving an oil rig in the USA for 40 years, claiming eleven lives and having a vast ecological impact. The uncertainty still surrounding the exact cause of the accident and particularly the attempts over several months to seal the well are further illustrations of the constantly increasing complexity of risks. The greater the depth in which oil rigs operate and the further they are from the coast, the higher the technical demands are and the greater the loss potential. On top of this, there is the lack of transparency regarding the liability situation, typical of such losses. In the case in question, there are numerous parties involved that have different legal relationships with one another and potentially carry partial responsibility for the events. A whole range of rules of law and legal systems under which claims may be filed renders any final loss settlement even more difficult. We are nevertheless convinced that we have made adequate provision for this complex.

Experts, courts and politicians will investigate and follow up the case over the next few years. It remains our task to keep or make such risks insurable. Companies are venturing more and more – that is what makes progress possible. We can help assess the resultant risks and make these manageable wherever possible. We will, in any case, review our technical requirements and prices for such risks. By providing risks with a “price tag”, we can also influence companies in practising effective loss prevention.

I have reported here on three events or developments in detail. They exemplify the extremely wide range of our business activities as an insurance group. Thus, for instance, macroeconomic issues require our attention, but so do technological trends and changes in the social environment. That is what makes the job of insuring so demanding, but also so interesting. The better we understand the present and identify future trends, the more we can achieve sustainable development. That is our goal: to create long-term value. We see this as our obligation – to society, to our clients and staff, and to you, our shareholders.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'N. Bomhard', is centered on the page. The signature is fluid and cursive, with a prominent initial 'N'.

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

## Interim management report

### Key parameters

- Global economy continues to recover; medium- to long-term perspective still uncertain
- Stock markets in the USA and Europe very volatile with small overall losses
- Inflation and interest rates remain low; initial signs of a slight increase

The **global economy** continued its recovery in the second quarter of 2010, showing the first signs of a slight acceleration in growth. Besides the monetary and fiscal stimuli present since last year, the reasons were fuller order books in the manufacturing sector and a further increase in international trade. But in the light of the most recent capital market turbulence, there are question marks about whether the economic upswing will last. The main central banks therefore maintained their low-interest-rate policies, even though initial increases in key interest rates were evident in a few cases. The central banks of Canada, Norway and Australia, for example, marginally raised their reference interest rates in the second quarter of 2010. Globally, interest rates and inflation remained low, but there were growing signs of a slight upward movement.

The **US economy** recorded positive real growth for the fourth consecutive quarter. Economic growth in the second quarter of 2010 amounted to 2.4% compared with the previous quarter. At 9.5%, the seasonally adjusted unemployment rate was slightly below the record level of the fourth quarter of 2009. The average inflation rate stood at -0.1% in the second quarter, meaning that prices fell a little, not least because of the appreciation of the US dollar against the euro.

In the **eurozone**, the economic recovery continued as well, picking up speed somewhat. Real economic growth in the second quarter of 2010 amounted to just over 1%, compared with 0.9% in the previous quarter. With just a few exceptions, there was little difference between the member states here. The unemployment rate remained stubbornly high and, at 0.2%, the inflation rate also showed practically no change. The positive economic development was partly due to the expansion in exports, particularly in Germany. Nevertheless, it is still uncertain whether the recovery will be maintained given that, as in the previous quarter, private consumer expenditure and investments did not contribute to growth. There are also fears about how the Greek debt crisis unfolds and whether other countries will experience similar turmoil.

The economic situation in **Japan** stabilised further, in spite of moderate deflation. Buoyed by increasing exports and a slight recovery in domestic demand, industrial production rose further. The unemployment rate nevertheless nudged upwards, from 5.0% in March to 5.3% in June. Consumer prices remained stable in the second quarter. Particularly these two figures indicate that economic development in Japan is still fragile compared with the economies of many other developed countries.

The **Chinese economy** showed very robust year-on-year growth of 11.1% in the second quarter. However, there are still signs that the economy may overheat.

In the second quarter, the US and Japanese **central banks** kept at 0–0.25% and 0.1% respectively the target rates they had introduced at the end of 2008. The European Central Bank maintained its reference interest rate at 1.0%, to which it had been lowered in May 2009.

The **oil price** ranged between US\$ 70 and US\$ 88 per barrel in the second quarter, standing at US\$ 74 at the end of June – an increase of 8.1% year on year. After falling to US\$ 1.20 at the beginning of June, the euro exchange rate recovered to US\$ 1.23 at the end of the quarter.

In the USA, Europe and Japan, the **stock markets** failed to maintain their good performance from the beginning of the year. The Dow Jones closed at 9,774 points on 30 June, 10.6% lower than at the beginning of April. The EURO STOXX 50 lost 11.4% over the quarter, closing on 2,568 points at the end of June, while the Nikkei finished the quarter on 9,383 points, 16.6% lower than three months before.

On 30 June, **yields** on US and German ten-year government bonds stood at 2.9% and 2.7% respectively, below their level at the beginning of the quarter.

All in all, macroeconomic indicators point to a further recovery in the global economy. Nonetheless, the **outlook** for the rest of 2010 is uncertain, and it remains questionable whether the capital markets can regain confidence on a lasting basis. Furthermore, the situation with regard to growing public debt is disturbing. In addition, there is still concern about undesirable effects from monetary and fiscal policy, while high unemployment harbours the risk of a short-lived recovery. Thus, there is continuing uncertainty about whether private consumer spending and investment can adequately replace government support measures in the near future.

## Business experience from 1 January to 30 June 2010

### Overview

Munich Re's Group-wide business was marked by high claims burdens from natural catastrophes in the first half-year 2010. Gross premium income amounted to €22.6bn (20.7bn), an increase of 9.3%. We recorded an operating result of €2,218m (2,109m) for the first six months. The consolidated result for January to June rose by 5.3% year on year to €1,194m (1,134m). Including expenses recognised directly in equity, there was an improvement of €2.1bn (see table on page 31). In spite of the persistently low interest-rate level, the investment result increased by 42.8% compared with the first half-year 2009 and amounted to €5.1bn, benefiting from lower write-downs and continuing high gains on disposals. This represents an annualised return of 5.3% on the average investment portfolio at market values. The annualised return on risk-adjusted capital (RORAC) totalled 13.2%, whilst the return on equity (RoE) amounted to 10.4%.

The bond markets continued to be affected by the debt problems of the southern European countries in particular. On the one hand, risk spreads for bonds issued by countries like Greece, Portugal, Italy, Spain and Ireland rose, leading to market-value losses in our portfolio. On the other hand, the high demand for government bonds with a secure rating, such as those of Germany and the USA, meant that spreads for these issuers declined, enabling us to record significant gains on the market value of such investments. We have an above-average proportion of secure government bonds in our portfolio of fixed-interest securities. That is one of the main reasons why our Group equity at 30 June 2010 showed an increase of €0.8bn in unrealised net gains on fixed-interest securities compared with year-end 2009.

The euro fell in value against the other important currencies in the first half of the year. This development has an effect on our consolidated financial statements through the translation of foreign currencies into our presentation currency. The profit-neutral translation of our independent subsidiaries' financial statements into the Group presentation currency – the euro – impacts our reserve for currency translation adjustments and thus the amount of Group equity. Generally speaking, rising exchange rates for foreign currencies increase Group equity, whilst falling exchange rates reduce it. Particularly as a result of the depreciation of the euro against the US dollar (the accounting currency of our major subsidiaries), our reserve for currency translation adjustments as at 30 June 2010 shows an increase of €1.5bn compared with the beginning of the year.



In the past few months, there has been a striking accumulation of costly natural catastrophes. Recent geophysical events, such as the earthquakes in Haiti, Chile, Turkey, Costa Rica and China, or volcanic eruptions on Iceland, in Ecuador or in Guatemala, are random phenomena and not the expression of an increasing trend. However, insured values have steadily risen, so that loss exposure has grown markedly over the years.

In addition, there were many storms and severe precipitation events in the first half of 2010: Winter Storm Xynthia, which caused major damage in Europe; storms in various US states with serious flooding in some cases; hailstorms in Australia; floods on the Odra and Vistula; and extreme rainfall in southern France and China. These severe weather events are a sign of a changing overall meteorological situation. We are proceeding on the assumption that such weather-related catastrophes will continue to accumulate and become even more intensive in the coming years as a consequence of climate change. However, our core business is to help insure and carry natural catastrophe losses. With our scientific risk knowledge grounded in experience, we analyse weather and loss trends and write our business on the basis of risk-adequate prices.

On 12 May 2010, the Annual General Meeting of ERGO Versicherungsgruppe AG adopted a squeeze-out resolution transferring the 237,065 shares belonging to the minority shareholders of ERGO Versicherungsgruppe AG (0.31% of share capital) to the majority shareholder Munich Reinsurance Company against cash compensation of €97.72 per share. The squeeze-out considerably simplifies shareholding structures, facilitates Group-wide cooperation, saves costs and is a logical step in our integrated insurance group strategy.

## Reinsurance

- Successful treaty renewals at 1 April 2010; profitability of the renewed portfolio virtually unchanged
- Combined ratio of 106.4% for the first half of the year burdened by expenditure for natural catastrophes; 103.8% for the second quarter
- Gratifying investment result of €2.2bn in the first six months, €1.2bn in the second quarter
- Result of €1.1bn for the first half-year, €0.6bn for the second quarter

| <b>Key reinsurance figures<sup>1</sup></b> |                   | Q1-2 2010 | Q1-2 2009 | Q2 2010   | Q2 2009    |
|--|-------------------|-----------|-----------|-----------|------------|
| Gross premiums written                     | €bn               | 11.6      | 10.9      | 5.6       | 5.5        |
| Loss ratio property-casualty               | %                 | 76.2      | 71.0      | 71.8      | 73.3       |
| Expense ratio property-casualty            | %                 | 30.2      | 26.9      | 32.0      | 25.1       |
| Combined ratio property-casualty           | %                 | 106.4     | 97.9      | 103.8     | 98.4       |
| Thereof natural catastrophes               | Percentage points | 12.8      | 3.5       | 5.4       | 1.5        |
| Technical result                           | €m                | 448       | 598       | 340       | 278        |
| Investment result                          | €m                | 2,157     | 1,962     | 1,222     | 1,087      |
| Operating result                           | €m                | 1,697     | 1,956     | 1,092     | 1,099      |
| Consolidated result                        | €m                | 1,057     | 1,309     | 633       | 631        |
|  |                   |           |           | 30.6.2010 | 31.12.2009 |
| Investments                                | €bn               |           |           | 83.2      | 76.8       |
| Net technical provisions                   | €bn               |           |           | 58.3      | 53.4       |

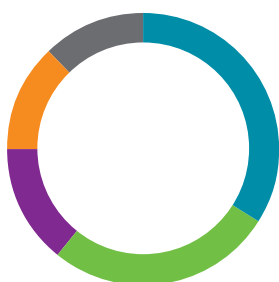
<sup>1</sup> Previous year's figures adjusted owing to first-time recognition of Munich Health as a separate segment (see "Recognition and measurement") and to IFRS 3.62 and IAS 8.

The **consolidated result** in reinsurance amounted to €1,057m (1,309m) in the first six months, €633m (631m) of which was attributable to the second quarter. Our reinsurance business in the second quarter and first half of 2010 was satisfactory overall, but major-loss expenditure was much higher than in the same period last year. The operating result for the first half of the year declined by 13.2% to €1,697m (1,956m). In the period from April to June, it totalled €1,092m (1,099m). Our investment result improved by 9.9% to €2,157m (1,962m) in the first half of 2010 and amounted to a satisfying €1,222m (1,087m) for the second quarter, mainly owing to gains on the disposal of investments.

Our **premium income** rose significantly by 6.0% to €11.6bn (10.9bn) for the first half of the year; for the months of April to June, it totalled €5.6bn (5.5bn). In the first half of the year, the euro fell against most other important currencies, which had a favourable impact on our premium volume, especially in North America. If exchange rates had remained the same, our premium volume would have been up 1.5% on the first half of last year and down 5.2% compared with the second quarter of 2009.

### Gross premiums by division Q1-2 2010

|                                    |           |
|------------------------------------|-----------|
| ● Life                             | 34% (28%) |
| ● Global Clients and North America | 27% (28%) |
| ● Europe and Latin America         | 14% (16%) |
| ● Germany, Asia Pacific and Africa | 13% (14%) |
| ● Special and Financial Risks      | 12% (14%) |



In the **life** segment, gross premiums written rose year on year by 26.0% to €3.9bn (3.1bn) for the first half-year 2010, essentially owing to the conclusion of large-volume quota share treaties. Our premium income climbed by 18.3% to €2.0bn (1.7bn) in the second quarter, continuing to benefit from demand for reinsurance as a capital substitute. Adjusted to eliminate the effects of changes in exchange rates, our premium income was up 16.3% since January and 5.5% since April.

In **property-casualty reinsurance**, the business of US insurer Hartford Steam Boiler (HSB), which we had acquired as at 31 March 2009, had a favourable impact of €156m on the change in premium volume given that, unlike in the first quarter of 2009, HSB was consolidated as a Group company in the first quarter of 2010. However, premium income showed an overall decline of 1.8% to €7.7bn (7.8bn) in the first six months of 2010. In the period from April to June 2010, we recorded premium of €3.6bn (3.8bn). The demand for insurance cover is stagnating in the current difficult economic environment, but we have been able to largely make up for this through the successful expansion of business within the framework of our long-term strategic partnerships and our greater involvement in specialty and niche segments. Adjusted to eliminate the effects of changes in exchange rates, premium volume for the first six months would have shown a decrease of 4.2% against the same period last year and 10.1% decline year on year for the period from April to June.

The satisfactory **treaty renewals** in property-casualty business at the turn of the year were followed at the beginning of April by treaty portfolio renewals with a volume of around €1.1bn (some 10% of overall treaty business), 35% of which concerned the markets of Japan and Korea and almost 40% North America and Global Clients. Overall, the trend of the January renewals continued. Markets moved sideways at best, with a slight downward tendency. It was only thanks to our consistent underwriting policy that we were able to buck the trend and maintain the quality of our portfolio. In keeping with this approach, we did not renew unprofitable business. We were nevertheless able to keep premium volume at the same level as last year by strengthening profitable client relations and achieving growth in the segment of complex liability risks.

The **combined ratio** amounted to 106.4% (97.9%) of net earned premiums for January to June and 103.8% (98.4%) for the second quarter. The overall burden from major losses totalled €1,359m (697m), or 19.6% (10.0%), in the first half of the year, natural catastrophes accounting for 12.8 (3.5) percentage points. Major-loss expenditure in the first half of 2010 significantly exceeded the figure for the same period last year – of the originally projected 6.5% for natural catastrophes in the annual loss ratio, around six percentage points occurred in the first half of the year alone. With insured market losses of around US\$ 8bn, the earthquake in Chile on 27 February 2010 was the largest single-loss event in the period under review. It has thus far been difficult to make a reliable forecast owing to the primary insurers' low retentions, a high proportion of individually reinsured production facilities and buildings, and the losses from ongoing business interruptions; we currently estimate our overall expenditure at nearly US\$ 1bn after retrocession and before tax, equivalent to approximately ten percentage points of the loss ratio. The earthquake is the third-largest loss in Munich Re's history, after the World Trade Center (2001) and Hurricane Katrina (2005). Besides this, there were further major natural catastrophes in the first half of the year. The most notable events were Winter Storm Xynthia in Europe at the end of February, two hailstorms in Australia in March and the losses caused by snow pressure following heavy snowfall on the east coast of the USA in February. Overall, natural catastrophes cost us some €900m.

On 20 April, the “Deepwater Horizon” oil rig exploded in the Gulf of Mexico. The largest loss event to affect us in the second quarter, it caused 11 fatalities, a high amount of property damage, and a terrible environmental disaster. This catastrophe is also turning into one of the most expensive claims in the offshore energy sector ever. We are reckoning with expenditure for our Group in the low three-digit million euro range. Our share of the property loss from the sinking of the oil rig is relatively easy to quantify at approximately US\$ 80m. By contrast, the liability losses cannot yet be gauged with reasonable certainty, since complex issues need to be clarified regarding the cause of the disaster, especially given the large number of parties involved. We are convinced that we have made adequate provision for this portion of the losses as well. In the second quarter of the year, we were also affected by a pharmaceutical liability claim and a fire in a warehouse for aircraft parts.

Major-loss expenditure for the period from April to June 2010 totalled €598m (412m), €186m higher than in the same period last year. It accounts for 16.6 (11.3) percentage points of the combined ratio, of which 5.4 (1.5) are attributable to natural catastrophes and 11.2 (9.8) percentage points to man-made losses.

## Primary insurance

- Total premium growth to €9.9bn; increase in German and international business
- Combined ratio of 96.6% for the first half-year; second-quarter figure of 94.5% includes burdens from flood losses
- Gratifying investment result of €3.1bn in the first half of the year, €1.4bn in the second quarter
- Satisfactory result of €293m for the first half-year and €128m for the second quarter, despite impairment losses of goodwill

| Key primary insurance figures              |     | Q1-2 2010 | Q1-2 2009 | Q2 2010 | Q2 2009 |
|--|-----|-----------|-----------|---------|---------|
| Total premium income                       | €bn | 9.9       | 9.2       | 4.8     | 4.4     |
| Gross premiums written                     | €bn | 8.9       | 8.4       | 4.2     | 4.0     |
| Loss ratio property-casualty               | %   | 63.4      | 61.9      | 62.5    | 62.2    |
| Expense ratio property-casualty            | %   | 33.2      | 32.8      | 32.0    | 31.1    |
| Combined ratio property-casualty           | %   | 96.6      | 94.7      | 94.5    | 93.3    |
| Technical result                           | €m  | 255       | 498       | 204     | 254     |
| Investment result                          | €m  | 3,060     | 1,829     | 1,438   | 1,103   |
| Operating result                           | €m  | 627       | 276       | 376     | 213     |
| Consolidated result                        | €m  | 293       | 1         | 128     | 60      |
| Thereof attributable to minority interests | €m  | 6         | 13        | 1       | 19      |

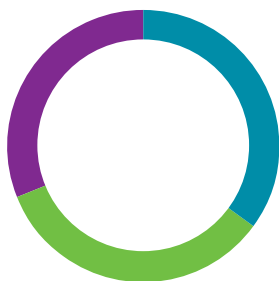
  

|                          |     | 30.6.2010 | 31.12.2009 |
|--------------------------|-----|-----------|------------|
| Investments              | €bn | 121.9     | 118.4      |
| Net technical provisions | €bn | 110.8     | 107.7      |

Munich Re's primary insurance segment comprises all the activities of the ERGO Insurance Group (ERGO) with the exception of health insurance business outside Germany, which is handled by Munich Health.

### Gross premiums by class of business Q1-2 2010

|                   |           |
|-------------------|-----------|
| Life              | 35% (36%) |
| Property-casualty | 34% (33%) |
| Health            | 31% (31%) |



ERGO was able to maintain its upward trend in the quarter ended. In the same period last year, the results had still been burdened by the financial crisis. The primary insurance consolidated result after tax totalled €293m (1m) for the period from January to June 2010 and €128m (60m) for the second quarter. Operating performance was also very satisfactory. At €627m (276m), our result for the first half of 2010 was more than double the figure for the same period last year, with €376m (213m) attributable to the months of April to June. The consolidated result for the second quarter was impacted by impairment losses of goodwill totalling €109m for ERGO SIGORTA A.S., Istanbul, reflecting stricter reserving regulations and the difficult profit situation on the Turkish motor insurance market. Without this write-down, the positive development would have been more visible in the consolidated result as well. The long, harsh winter, and flood losses in the second quarter made themselves felt in the technical result, where they were responsible for higher property-casualty claims expenditure than in the same period last year. Our combined ratio for the property-casualty segment increased to 96.6% (94.7%) in the first six months of the year. The improved consolidated result was largely ascribable to the investment result, which was 67.3% higher than the previous year's crisis-weakened figure. The improvement is mainly the result of a decrease of €957m in write-downs and losses on disposals compared with the same period last year. Another positive effect of €170m before tax and policyholders' participation resulted from the derivatives used to hedge against prolonged low-interest-rate scenarios.

**Overall premium volume** across all lines of business increased by 7.6% to a total of €9.9bn (9.2bn) for the first half of 2010, and by 7.9% to €4.8bn (4.4bn) for the period since April. Growth was generated in all areas, especially in international business, which also benefited from favourable currency translation developments in important markets for us, e.g. Poland and Turkey. Our **gross premiums written** amounted to €8.9bn (8.4bn) for the first half of 2010 and €4.2bn (4.0bn) for the period from April to June. Unlike overall premium volume, gross premiums written do not include the savings premiums from unit-linked life insurance and capitalisation products, which accounted for €1,029m (778m) in the first half of the year.

Our **life insurers** posted total premium income of €4.2bn (3.8bn) for the first six months of 2010, an increase of 9.0% year on year. In the second quarter, premium volume increased by 9.0% to €2.2bn (2.0bn). German business showed a rise in premium of 7.9% to €3.1bn (2.9bn) for the first half-year, with German new business (+35.4%) benefiting from the positive development of single-premium business (up 45.4%), due mainly to double-digit increase rates especially for traditional annuity insurance covers. In terms of the annual premium equivalent (APE<sup>1</sup>) – the customary international performance measure – our new business volume totalled €245m (224m) and was thus up by 9.4% compared with the same period last year. Given the current economic environment, clients are still shying away from concluding long-term contracts with regular premium payments for old-age provision. In international business, premium income climbed by 12.2% to €1,056m (941m) in the months of January to June, and we achieved good growth of 230.9% and 35.1% in Poland and Belgium respectively. The very gratifying increase in Poland is mainly attributable to our bank cooperation agreements, especially with our partner UniCredit.

In the **health** primary insurance segment, premium income since the beginning of the year climbed by 5.6% to €2.8bn (2.6bn), of which €1.3bn (1.3bn) was generated in the period April to June 2010. Business with supplementary benefit covers grew by 5.1%. In comprehensive health insurance, premium income expanded by an appreciable 6.8%, reflecting the marked price increases we were obliged to make at the beginning of 2010 owing to a general rise in medical costs. The conclusion of a major contract also had a positive effect on premium growth in comprehensive cover. New business was down 9.3% compared with the same period last year. At the beginning of 2009, many policies had been concluded because clients wanted to take out private insurance coverage at the conditions applying prior to major changes due to the health reform. In travel insurance, we registered a rise in premium volume of 8.7% in the period from January to June 2010. Following the difficulties encountered in the previous year, we see this as a sign that the travel sector is gradually recovering.

Premium volume in the **property-casualty** insurance segment totalled €3.0bn (2.8bn) in the period from January to June 2010 and €1.3bn (1.2bn) in the second quarter. The growth of 7.5% since the beginning of the year is largely based on international business. In Greece, our premium income rose by 50.2% in the first six months of the year, thanks to our exclusive partnership with Piraeus Bank. Premium expansion was

<sup>1</sup> APE = Total regular premium income and one-tenth of single-premium volume.

also strong in Poland (+25.5%) and South Korea (+38.9%), reflecting favourable developments in exchange rates and organic growth. In Germany, we registered a rise in premium income of 2.2% to €1.82bn (1.78bn) in the same period. This development was largely driven by commercial and industrial business, where we posted 2.8% growth in premium. Our business with personal accident policies also showed a satisfying rise (+2.6%), while other personal lines business remained essentially stable. In motor insurance, we posted premium income of €405m. Given our lower market share in motor business, we are less exposed than other insurers to the price competition in German motor business.

At 96.6% of net earned premiums, the **combined ratio** for the period from January to June 2010 was good, albeit higher than in the same period last year (94.7%). The weather losses mentioned earlier also had a significant impact on the loss ratio in property-casualty primary insurance, in particular in international business, where the loss ratio rose to 70.3% (66.9%). At 59.0%, the figure for German business in the first half of 2010 remained roughly the same as in the previous year (59.1%). The combined ratio for the second quarter was 94.5% (93.3%).

## Munich Health

- Marked increase in premium volume by 40% in the first six months
- Combined ratio of 100.4% in the first half of the year and 99.5% in the second quarter
- Result of €16m for the first half of the year and €27m for the second quarter

| Key Munich Health figures   |     | Q1-2 2010 | Q1-2 2009 | Q2 2010   | Q2 2009    |
|-----------------------------|-----|-----------|-----------|-----------|------------|
| Gross premiums written      | €bn | 2.6       | 1.8       | 1.3       | 1.1        |
| Loss ratio <sup>1</sup>     | %   | 80.1      | 81.3      | 79.9      | 79.6       |
| Expense ratio <sup>1</sup>  | %   | 20.3      | 17.4      | 19.6      | 18.2       |
| Combined ratio <sup>1</sup> | %   | 100.4     | 98.7      | 99.5      | 97.8       |
| Technical result            | €m  | 17        | 31        | 22        | 26         |
| Investment result           | €m  | 89        | 63        | 56        | 39         |
| Operating result            | €m  | 60        | 56        | 56        | 53         |
| Consolidated result         | €m  | 16        | -8        | 27        | -4         |
|                             |     |           |           | 30.6.2010 | 31.12.2009 |
| Investments                 | €bn |           |           | 3.6       | 3.1        |
| Net technical provisions    | €bn |           |           | 3.2       | 2.9        |

<sup>1</sup> Excluding health insurance conducted like life insurance.

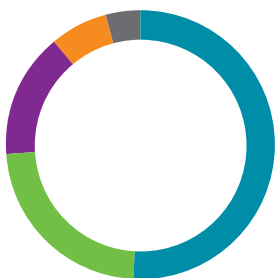
Munich Health covers our health reinsurance business worldwide and our health primary insurance outside Germany. The cornerstones of Munich Health are the international subsidiaries of our health primary insurer DKV, the specialised US health insurer Sterling Life Insurance, Munich Re's worldwide health reinsurance business, and the service companies of the MedNet group.

Our health business – excluding health primary insurance in Germany – performed satisfactorily overall in the second quarter and first half of 2010. As in the first quarter, our gross premiums written showed a strong rise in the period from April to June, due essentially to the conclusion of large-volume reinsurance treaties used by our clients as capital relief in the wake of the financial crisis. The operating result remained constant, totalling €60m (56m) for the first six months and €56m (53m) for the second quarter. Munich Health posted a consolidated result of €16m (-8m) for the first six months and €27m (-4m) for the period from April to June.



**Gross premiums by market region  
Q1-2 2010**

|  |           |
|--|-----------|
| ● North America (NA)                         | 51% (48%) |
| ● Northern/Eastern/<br>Central Europe (NECE) | 23% (25%) |
| ● Southern Europe/<br>Latin America (SELA)   | 15% (17%) |
| ● Asia/Pacific<br>(APAC)                     | 7% (3%)   |
| ● Middle East/<br>Africa (MEA)               | 4% (7%)   |



**Premium income** improved appreciably year on year by 40.3% to €2.6bn (1.8bn) in the first six months, rising by 23.9% to €1.3bn (1.1bn) in the second quarter. International health primary insurance business showed an increase of 6.4% to €965m (907m) in the first six months, with particularly prominent premium growth in the United Kingdom, Spain and Belgium. In the second quarter of the year, premium income was up 7.2% to €461m (430m). Sterling Life's premium volume dropped again in the second quarter, given the more stringent US regulatory framework for the senior segment on which it focuses. Premium income came under pressure from sales restrictions. On top of this, contracts with providers are now being redrafted to comply with increased requirements in future. The growth in reinsurance premium income by 74.0% to €1,590m (914m) in the first half of 2010 and 35.4% to €842m (622m) in the second quarter is essentially due to the conclusion of new, large-volume treaties providing capital relief to clients in North America and Asia. If exchange rates had remained the same, premium volume would have risen by 31.9% year on year in the first half of 2010.

The **combined ratio** was 100.4% (98.7%) for the period January to June 2010 and 99.5% (97.8%) for the second quarter. This key indicator only relates to short-term health business, and not to business conducted like life insurance – for instance, in Belgium and Luxembourg. The latter type of business accounted for 12.8% (17.0%) of gross premiums written in the first half-year and 11.9% (14.1%) in the second quarter. The relatively high combined ratio is partly due to the start-up costs for our young subsidiaries DKV Salute, Italy, DKV Globality, Luxembourg, and Marina Salud, Spain. It was also influenced by a higher claims burden from individual reinsurance accounts in Asia and the Middle East. The combined ratio was up significantly in the national economies impacted by the recession, particularly Spain. In the period January to June 2010, the technical result dropped by €14m compared with the same period last year to €17m.

## Investment performance

- Economic equity exposure of 2.5% at the balance sheet date
- Fixed-interest securities and loans remain a dominating factor at 85%
- Losses in market value due to widened risk spreads for under-pressure government bonds more than compensated for by well-balanced portfolio of interest-bearing investments
- Investment result up significantly on previous year at a very satisfying €5.1bn; €2.6bn for the second quarter

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, thus determine the investments selected. This cushions our assets somewhat against the effects of capital market fluctuations. Our investment policy also considers the special features of the reinsurance, primary insurance and Munich Health business segments. The particularly long-tailed underwriting liabilities

| Investment mix <sup>1</sup><br>€m  | Reinsurance   |                |                   |                | Primary insurance |                |
|--|---------------|----------------|-------------------|----------------|-------------------|----------------|
|  | Life          |                | Property-casualty |                | Life              |                |
|  | 30.6.<br>2010 | 31.12.<br>2009 | 30.6.<br>2010     | 31.12.<br>2009 | 30.6.<br>2010     | 31.12.<br>2009 |
| Land and buildings, including buildings on third-party land                              | 260           | 211            | 1,160             | 1,095          | 1,748             | 1,775          |
| Investments in affiliated companies  | 15            | 12             | 66                | 61             | 13                | 7              |
| Investments in associates  | 54            | 43             | 289               | 256            | 199               | 190            |
| Loans  | 68            | 61             | 273               | 283            | 30,703            | 29,852         |
| Other securities held to maturity  | -             | -              | -                 | -              | 69                | 83             |
| Other securities available for sale  |               |                |                   |                |                   |                |
| Fixed-interest   | 12,268        | 10,461         | 46,204            | 44,711         | 36,521            | 36,456         |
| Non-fixed-interest   | 918           | 359            | 3,896             | 1,832          | 1,668             | 1,913          |
| Other securities at fair value through profit or loss                                    |               |                |                   |                |                   |                |
| Held for trading   |               |                |                   |                |                   |                |
| Fixed-interest   | -             | -              | 603               | 546            | 51                | 50             |
| Non-fixed-interest   | -             | -              | 26                | 20             | 3                 | 4              |
| Derivatives  | 141           | 87             | 631               | 185            | 479               | 284            |
| Designated as at fair value through profit or loss                                       |               |                |                   |                |                   |                |
| Fixed-interest   | -             | -              | -                 | -              | 266               | 372            |
| Non-fixed-interest   | -             | -              | -                 | -              | 15                | 20             |
| Deposits retained on assumed reinsurance   | 5,081         | 5,171          | 1,533             | 1,347          | 131               | 118            |
| Other investments  | 154           | 141            | 698               | 882            | 1,266             | 633            |
| Investments for the benefit of life insurance policyholders who bear the investment risk | -             | -              | -                 | -              | 4,500             | 4,024          |
| <b>Total</b>   | <b>18,959</b> | <b>16,546</b>  | <b>55,379</b>     | <b>51,218</b>  | <b>77,632</b>     | <b>75,781</b>  |

<sup>1</sup> After elimination of intra-Group transactions across segments.

of our life primary insurers are reflected in the corresponding maturity structure of the related investments. Where possible, these investments are made in instruments that can be posted as loans so as to avoid fluctuations in carrying amounts due to interest rate changes.

In the period under review, we built up our equity portfolio via selective reallocations from corporate bonds. The gains on disposals thus realised and the improved net balance of write-ups and write-downs contributed significantly to the 42.8% increase in the investment result. The overall balance of write-ups and write-downs plus net gains on disposals amounted to €1,351m (-28m) for the first half-year. Here Munich Re benefited from its conservative but nevertheless active asset management. The return on investment thus improved to 5.3% (4.0%).

As at the reporting date, some of the most important share price indices were significantly lower than at the start of the year. The second quarter in particular saw a downturn, with the EURO STOXX 50 losing around 12% in that period alone. While yields on German government bonds continued to fall between April and June, the government bonds of southern European countries in particular came under pressure and experienced rising risk spreads.

|  | Health        |                | Property-casualty |                | Munich Health |                | Asset management |                | Total          |                |
|--|---------------|----------------|-------------------|----------------|---------------|----------------|------------------|----------------|----------------|----------------|
|  | 30.6.<br>2010 | 31.12.<br>2009 | 30.6.<br>2010     | 31.12.<br>2009 | 30.6.<br>2010 | 31.12.<br>2009 | 30.6.<br>2010    | 31.12.<br>2009 | 30.6.<br>2010  | 31.12.<br>2009 |
|  | 629           | 635            | 347               | 309            | 18            | 15             | 50               | 46             | 4,212          | 4,086          |
|  | 23            | 19             | 70                | 67             | 1             | 2              | 11               | 10             | 199            | 178            |
|  | 100           | 106            | 153               | 141            | 47            | 32             | 72               | 55             | 914            | 823            |
|  | 14,972        | 14,225         | 2,254             | 2,184          | 25            | 17             | -                | -              | 48,295         | 46,622         |
|  | -             | -              | 1                 | 1              | -             | -              | -                | -              | 70             | 84             |
|  | 11,269        | 11,099         | 5,207             | 5,063          | 2,096         | 1,692          | 89               | 84             | 113,654        | 109,566        |
|  | 881           | 978            | 777               | 807            | 122           | 129            | 16               | 21             | 8,278          | 6,039          |
|  | -             | -              | -                 | -              | 3             | 4              | -                | -              | 657            | 600            |
|  | 1             | 1              | -                 | -              | 1             | -              | -                | -              | 31             | 25             |
|  | 79            | 32             | 12                | 5              | 17            | 3              | -                | -              | 1,359          | 596            |
|  | -             | -              | -                 | -              | -             | -              | -                | -              | 266            | 372            |
|  | -             | -              | -                 | -              | -             | -              | -                | -              | 15             | 20             |
|  | 1             | 1              | 3                 | 3              | 180           | 158            | -                | -              | 6,929          | 6,798          |
|  | 184           | 68             | 325               | 341            | 26            | 10             | 428              | 265            | 3,081          | 2,340          |
|  | 1             | 1              | -                 | -              | 1             | 1              | -                | -              | 4,502          | 4,026          |
|  | <b>28,140</b> | <b>27,165</b>  | <b>9,149</b>      | <b>8,921</b>   | <b>2,537</b>  | <b>2,063</b>   | <b>666</b>       | <b>481</b>     | <b>192,462</b> | <b>182,175</b> |

The carrying amount of our investments showed an increase of €10.3bn or 5.6% since the beginning of the year. Marked falls in the euro exchange rate led to considerable increases in the market values of our investments held in foreign currencies. Our net unrealised gains also moved up €1.2bn to €6.0bn. Furthermore, our loans recognised at amortised cost showed valuation reserves of €3.2bn, an increase of €2.0bn. In reinsurance in particular, we benefited from the longer durations of our investments and the reduction in risk-free interest rates for these long-term securities, particularly those of German and US issuers. At the end of the quarter, our investment portfolio at carrying amounts continued to be dominated by fixed-interest securities and loans, which account for €163bn (157bn) or approx. 85%.

| Other securities available for sale | Carrying amounts |                | Unrealised gains/losses |              | At amortised cost |                |
|-------------------------------------|------------------|----------------|-------------------------|--------------|-------------------|----------------|
|                                     | 30.6.2010        | 31.12.2009     | 30.6.2010               | 31.12.2009   | 30.6.2010         | 31.12.2009     |
| €m                                  |                  |                |                         |              |                   |                |
| Fixed-interest securities           | 113,654          | 109,566        | 4,930                   | 3,342        | 108,724           | 106,224        |
| Non-fixed-interest securities       |                  |                |                         |              |                   |                |
| Equities                            | 5,733            | 3,471          | 886                     | 1,253        | 4,847             | 2,218          |
| Investment funds                    | 1,763            | 1,835          | 99                      | 130          | 1,664             | 1,705          |
| Other                               | 782              | 733            | 37                      | 25           | 745               | 708            |
|                                     | 8,278            | 6,039          | 1,022                   | 1,408        | 7,256             | 4,631          |
| <b>Total</b>                        | <b>121,932</b>   | <b>115,605</b> | <b>5,952</b>            | <b>4,750</b> | <b>115,980</b>    | <b>110,855</b> |

| Valuation reserves not recognised in the balance sheet | Valuation reserves | Fair value    | Carrying amount | Valuation reserves | Fair value    | Carrying amount |
|--|--------------------|---------------|-----------------|--------------------|---------------|-----------------|
|  | 30.6.2010          | 30.6.2010     | 30.6.2010       | 31.12.2009         | 31.12.2009    | 31.12.2009      |
| €m   |                    |               |                 |                    |               |                 |
| Land and buildings <sup>1</sup>                        | 1,718              | 8,456         | 6,738           | 1,722              | 8,280         | 6,558           |
| Associates   | 283                | 1,161         | 878             | 186                | 982           | 796             |
| Loans  | 3,247              | 51,542        | 48,295          | 1,287              | 47,909        | 46,622          |
| Other securities                                       | 2                  | 72            | 70              | 2                  | 86            | 84              |
| <b>Total</b>   | <b>5,250</b>       | <b>61,231</b> | <b>55,981</b>   | <b>3,197</b>       | <b>57,257</b> | <b>54,060</b>   |

<sup>1</sup> Including owner-occupied property.

Just over 46% of our fixed-interest securities and loans, including short-term items, are in government bonds or instruments for which public institutions are liable. The volatility of the bond markets led to our posting losses in market value (some significant) in the first half of the year in the face of rising risk spreads on bonds from Portuguese, Italian, Irish, Greek and Spanish issuers, which make up 14% of our portfolio. Thanks to our balanced portfolio, we nevertheless recorded overall market-value gains due largely to bonds from German and US issuers. These accounted for 33% and 16% of the portfolio respectively at the end of the quarter. Additionally, around 28% of our interest-bearing investments are in securities and debt instruments with top-quality collateralisation, mainly German pfandbriefs.

Following the switch from corporate bonds into equities, realised chiefly in the first quarter, corporate bonds accounted for 9% of our portfolio of fixed-interest investments as at the reporting date. Our portfolio of structured interest-bearing products, which are held chiefly by our reinsurance companies, expanded somewhat due to exchange- and interest-rate developments, increasing slightly by €0.3bn to €5.6bn (5.3bn) despite disposals. Around 83% of these securities have an AAA rating.

We hold inflation-indexed bonds with a volume of approximately €7.8bn (7.8bn). These offer a certain degree of protection against the risks of future inflation and the rise in interest rates typically associated with this.

Investing in real assets such as equities and real estate diversifies our portfolio and raises the level of protection against the inflation risk. In the period under review, we cautiously reallocated investments to equities, increasing our [equity portfolio](#) (including investments in affiliated companies and associates) to €7.5bn (5.2bn). As at the reporting date, our economic equity exposure after hedging was 2.5% (2.8%).

| <b>Investment result</b>   | Q1-2 2010    | Q1-2 2009    | Change      | Q2 2010      | Q2 2009      | Change      |
|----------------------------|--------------|--------------|-------------|--------------|--------------|-------------|
|                            | €m           | €m           | %           | €m           | €m           | %           |
| Regular income             | 3,918        | 3,776        | 3.8         | 2,036        | 2,027        | 0.4         |
| Write-ups/write-downs      | 304          | -667         | -           | 397          | -124         | -           |
| Net realised capital gains | 1,047        | 639          | 63.8        | 392          | 280          | 40.0        |
| Other income/expenses      | -191         | -193         | 1.0         | -207         | 5            | -           |
| <b>Total</b>               | <b>5,078</b> | <b>3,555</b> | <b>42.8</b> | <b>2,618</b> | <b>2,188</b> | <b>19.7</b> |

| <b>Investment result by type of investment</b>   | Q1-2 2010    | Q1-2 2009    | Change      | Q2 2010      | Q2 2009      | Change      |
|--|--------------|--------------|-------------|--------------|--------------|-------------|
|  | €m           | €m           | %           | €m           | €m           | %           |
| Real estate  | 157          | 160          | -1.9        | 104          | 70           | 48.6        |
| Investments in affiliated companies  | 44           | -10          | -           | -            | -1           | 100.0       |
| Investments in associates  | 33           | -29          | -           | 19           | 18           | 5.6         |
| Mortgage loans and other loans   | 1,095        | 952          | 15.0        | 555          | 495          | 12.1        |
| Other securities   | 3,754        | 2,524        | 48.7        | 2,049        | 1,547        | 32.4        |
| Deposits retained on assumed reinsurance, and other investments                          | 106          | 42           | 152.4       | 53           | -            | -           |
| Investments for the benefit of life insurance policyholders who bear the investment risk | 91           | 129          | -29.5       | -56          | 171          | -           |
| Expenses for the management of investments, other expenses                               | 202          | 213          | -5.2        | 106          | 112          | -5.4        |
| <b>Total</b>   | <b>5,078</b> | <b>3,555</b> | <b>42.8</b> | <b>2,618</b> | <b>2,188</b> | <b>19.7</b> |

[Regular investment income](#) rose, due especially to the expansion of our portfolio of fixed-interest securities and loans and to the cautious recommencement of investments in credit-exposed securities. In addition, there was a rise in income from associates.

In the first half of 2010, the net balance of **write-ups and write-downs** of our investments was €304m (-667m). We posted net write-ups of €170m (-358m) on our swaptions, due primarily to falling interest rates in the second quarter. Swaptions are used by our life primary insurers to protect themselves against reinvestment risks in low-interest-rate phases. The weak markets led us to make write-downs of €72m (292m) on our equity portfolio, €61m (24m) of this in the second quarter. At the same time, the derivatives we hold to hedge our equity portfolio gained in value, enabling us to make net write-ups of €227m (137m) on our derivatives in total (excluding swaptions).

We made no significant write-downs on our fixed-interest securities and loans in the first six months of 2010, compared with downward corrections of €145m in the same period last year.

In terms of our overall investment portfolio, we again posted good net **realised gains on disposals** of €1,047m (639m) in the period under review; €392m (280m) was attributable to the second quarter.

Of the total gains on disposals, €744m (361m) was accounted for by our portfolio of fixed-interest securities available for sale, among other things through the sale of corporate bonds. Here we benefited from our 2009 strategy of investing more strongly in corporate bonds, which subsequently recorded market-value gains as risk spreads fell. In addition, we profited in our disposals of government bonds from the interest-rate level remaining low.

Furthermore, the gain on the disposal of non-fixed-interest securities available for sale and on derivatives with non-fixed-interest underlyings contributed €58m (334m) to the result from disposals. Of this, around €90m is attributable to the reduction of our stake in Helvetia Holding AG from approx. 8.2% to under 3% in the second quarter.

In the period under review, we generated €91m (129m) from investments for the benefit of life insurance policyholders who bear the investment risk. We post this in the investment result under "other income/expenses".

| <b>Assets under management for third parties</b> |    |           |           | 30.6.2010 | 31.12.2009 |
|--|----|-----------|-----------|-----------|------------|
| Third-party investments                          |    |           | €bn       | 8.1       | 7.9        |
|  |    |           |           |           |            |
|  |    | Q1-2 2010 | Q1-2 2009 | Q2 2010   | Q2 2009    |
| Group asset management result                    | €m | 31        | 16        | 19        | 8          |

MEAG MUNICH ERGO AssetManagement GmbH is the asset manager of Munich Re. In addition to its asset management function for the Group, MEAG also offers its expertise to private and institutional clients. The amount managed by MEAG in private-client business via investment funds totalled €1.9bn (2.0bn).

MEAG's assets under management for institutional clients outside the Group rose to €6.2bn (5.9bn). The consolidated result in asset management improved to €31m (16m). 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, reached €27.8bn (18.8bn).

## Prospects

- Challenges for the Group owing to difficult economic environment, but also opportunities thanks to financial strength and know-how
- Sharpened positioning in reinsurance
- ERGO to drive profitability with new brand strategy
- Premium income in the range of €44–46bn expected
- Envisaged consolidated result of over €2bn remains ambitious

There are various reasons why the quarterly results of insurance companies, including Munich Re, are not a suitable indicator for the results of the entire financial year. Losses from natural catastrophes and other major losses have a disproportionate impact on the result of the reporting period in which they randomly and unforeseeably occur. Late-reported claims for major loss events can also lead to substantial fluctuations in individual quarterly results. Finally, gains and losses on the disposal of investments, dividends and write-downs of investments do not follow a regular pattern. Consequently, our quarterly figures do not provide more than guidance regarding the result for the year that could be expected.

### Overview

Expansive fiscal and monetary policy worldwide seems to have succeeded in ending the worst recession in decades. The economic recovery that began in the second half of 2009 continues. However, it is still not certain how durable the recovery will be. Even if the downturn has been stopped, it will take a long time for economic performance to return to its pre-crisis level, for companies to again invest more and demand more insurance cover, and for consumers to spend a greater share of their income on private provision. Yet despite the difficult economic situation, there are many different opportunities for us.

### Reinsurance

Reinsurance continues to hold considerable promise for the future. We have responded to a shift in demand trends by repositioning ourselves. Even more so than in the past, Munich Re will offer its cedants specialist consulting services and solutions also for issues such as balance sheet management, risk modelling or asset-liability management, wherever possible via customised insurance covers. For new and complex risks, we devise innovative coverage concepts that go beyond traditional reinsurance.

**Life reinsurance** offers good growth potential. The main stimuli for growth will derive from continuing demand for large-volume capital substitute solutions, the preparation and implementation of European supervisory rules (Solvency II), the need for asset protection, and the dynamic expansion of the Asian life insurance markets. Our gross premiums written should reach a volume of around €8bn in 2010.

We are adhering to our objective of doubling the value added by new business in life reinsurance in the period 2006 to 2011. Taking Market Consistent Embedded Value (MCEV) Principles as a basis, this means that we are aiming for value added by new business of €330m for 2011. Given the good results of recent years, we are at present confident of being able to continue surpassing this goal in the long term.

In **property-casualty reinsurance**, which – as experience has shown – is exposed to market cycles, Munich Re will maintain its clear, profit-oriented underwriting policy and accept risks only at commensurate prices, terms and conditions.

In the **renewals** on 1 July 2010 (parts of the US market, Australia and Latin America), which with a volume of approximately €1.7bn involve around 16% of the total treaty business to be renewed, markets continued to move sideways – with the exception of those with recent claims experience. In Australia, for instance, we were able to obtain significant price increases, given the accumulation of weather-related losses here in the last few years. The earthquake in Chile had a very favourable effect on prices in that country, also stabilising terms and conditions in the rest of Latin America – a fact we took advantage of in order to selectively expand our business.

For the renewals at 1 January 2011, we do not expect any significant change in the market situation. The cyclone season has begun and will last until the end of November. Munich Re's geoscientists anticipate that the frequency of cyclones will tend to be higher in 2010, since there will be no El Niño effect this year and the Atlantic's surface water temperatures have reached record levels.

In the medium to long term, Munich Re will benefit from the constantly growing accumulation hazards and related strong demand for effective capital relief. Since we are excellently positioned with our know-how and financial strength, we will be able to take advantage of these opportunities. In the short term, however, the weakness of the economy will continue to have a curtailing effect on demand.

For 2010, we project gross premiums written of just over €15bn in property-casualty reinsurance. We envisage a combined ratio of around 97% of net earned premiums over the market cycle as a whole for property-casualty business, but this figure is likely to be exceeded significantly in 2010, since our long-term estimate is based on an average major-loss burden of 6.5% from natural catastrophes. The first half year of 2010, however, was already affected by very severe accumulation losses from natural catastrophes, whose costs of around €900m alone accounted for some six percentage points.

We anticipate that **gross premiums** in reinsurance (without Munich Health) will range between €23bn and €24bn in 2010, provided that exchange rates stabilise and the economy-related losses in premium income for primary insurers and their impact on reinsurance covers keep within reasonable bounds or can be offset by additional business. This slightly exceeds the premium forecast given in the first quarter of 2010 for the reinsurance segment.

With only one half of the year elapsed, the consolidated result in reinsurance is subject to considerable uncertainty as far as major losses and capital market developments are concerned.



### Primary insurance

Last year, ERGO decided to gear its brand strategy in Germany even more strongly to the needs of its clients. The new brand presence was launched on 21 June with the following entries in the commercial register: Life insurer Hamburg-Mannheimer Versicherungs-AG was renamed ERGO Lebensversicherung AG. Property-casualty insurer Victoria Versicherung AG is now called ERGO Versicherung AG. On 1 July, the property-casualty insurers of D.A.S. and Hamburg-Mannheimer were merged into ERGO Versicherung AG. From now on, ERGO provides life and property-casualty insurance in Germany under a single brand. The renaming of KarstadtQuelle Versicherungen, which is now called ERGO Direkt Versicherungen, was completed in the first quarter of 2010. ERGO is keeping the brands of its specialist insurers D.A.S. (legal protection insurance), DKV (health insurance) and ERV (travel insurance). They are leading in their fields and have partnership agreements in and outside Germany, for which the special brands are important. In October, ERGO will revise its brand presence in the fields of health and legal protection, pooling the companies involved under the DKV and D.A.S. brands.

In **life insurance**, our total premium income should be above the previous year's level, i.e. slightly over €8bn, while gross premiums written should total just over €6bn. We anticipate that there will be a moderate rise in premium revenue in international and German business. Our German new business should show a slight increase in premium income in 2010 – a trend that will be due partly to the performance of capital-market based products and traditional annuity insurance covers.

It is advantageous, particularly in the current low-interest-rate phase, that we manage our life business on a consistently economic basis, i.e. taking account of risks from guarantees and options. With our hedging programme, which benefits shareholders and policyholders alike, we took countermeasures against prolonged low-interest-rate phases at an early stage. Moreover, we adequately limit the bonus payments promised and make sure the terms and conditions for single-premium business are always reasonable. Nevertheless, the low-interest-rate environment has an adverse impact on business dominated by guarantee products, and the sale of unit-linked products is stagnating in this market. The new ERGO brand is designed to strengthen our sales in German life insurance and we expect this, together with the effects of the cost reduction programme, to have a positive impact on results in the medium term.

In the **health** primary insurance segment, we aim to grow premium income to around €5bn. We should be able to achieve premium growth particularly in comprehensive health insurance, where we had to raise prices significantly at the beginning of 2010 owing to the general rise in claims and benefits in healthcare.

In **property-casualty insurance**, we also anticipate premium growth to just over €5bn, largely owing to international business. In Germany, premium volume should show a slight increase as well, even though market premium as a whole is likely to be slightly higher than last year. Especially because of the many natural hazard events during the first half of 2010, which led to a combined ratio of 96.6%, our target ratio of under 95% is becoming increasingly ambitious.

Our **total premium income** in primary insurance (without Munich Health) should reach around €19bn for 2010, thus exceeding last year's figure (€18.1bn). We project that **gross premiums written** will range between €17bn and €18bn (previous year: €16.6bn, excluding health primary insurance outside Germany). Unlike at year-end 2009, primary insurance business outside Germany is no longer shown in the primary insurance segment, but is now included in Munich Health.

We are adhering to our forecast for the primary insurance segment's **consolidated result**, despite the write-downs for impairments of goodwill in the second quarter. For the ERGO subgroup (including Munich Health primary insurance) we expect a result of €350–450m (previous year: €173m).

This forecast reflects our investments in rebranding and our improved operating result in the first half of the year, thanks to which we will be able to absorb the write-downs made.

### **Munich Health**

The international healthcare markets offer a host of long-term growth opportunities, particularly thanks to advances in medicine and increases in life expectancy. We intend to take advantage of these opportunities.

We are focusing on the sustained profitability of the segment and on business models that are attractive in the long term in the countries in which we operate. To this end, for instance, we will apply the successful business model of our minority interest in DAMAN to neighbouring regions. We constantly subject our existing portfolio to close scrutiny in order to improve its earnings strength.

The gross premiums written by Munich Health, comprising the premium for health insurance outside Germany and worldwide health reinsurance business, are likely to total around €5bn in 2010.

We are expecting only a small positive result contribution from this young field of business this year, due to the ongoing start-up investments in several units and burdens from the recession.

Opportunities and risks will derive for our reinsurance business and our health insurance subsidiary Sterling from the US healthcare reform adopted by Congress on 21 March 2010. We are analysing the implications of this legislation in detail and will design our strategy and business models in the US market accordingly.

### **Munich Re (Group)**

In the European Union, solvency supervision for primary insurers and reinsurers is facing profound changes owing to the planned new rules under Solvency II. The entry into force of the new supervisory regulations is anticipated for 2012. In its preliminary studies, the European Commission has been examining the impact of Solvency II's quantitative risk capital requirements on the companies concerned. Irrespective of the fine-tuning still to be done, Solvency II will have a significant impact on insurance supply and demand and will provide new opportunities for Munich Re in both primary insurance and reinsurance.

If there is no significant change in exchange rates compared with the average for the first half of the year, we project that **gross premiums written** by the Group will range between €44–46bn in 2010 (consolidated total premium), thus slightly surpassing the premium forecast given in the first quarter of 2010.

For the current year, we anticipate a return on **investments** (RoI) of just over 4%, a slightly higher level than forecast in the previous quarter. The increase is due mainly to the high gains on disposals and write-ups we realised in the second quarter. For the further course of 2010, however, we do not foresee any appreciable rise in capital market interest rates. This development will also be reflected in a correspondingly lower return on our new investments in interest-bearing instruments. We thus expect regular income from our portfolio of these investments to be comparatively reduced. In addition, we cannot assume that in the further course of the year there will be write-ups and gains on disposals to the same extent as in the first half-year. Our equity-backing ratio is currently relatively low; we intend to increase it over time, but not to past levels. Our exposure to impairments in the value of equities is thus marginal, but so is our opportunity to realise capital gains. We are therefore proceeding on the assumption that investment results in the coming years will be lower than in the previous years and first half of 2010. Even if economic figures and early indicators have gradually stabilised recently, the capital markets have been volatile, so further burdens on results cannot be ruled out. Since we essentially aim to maintain the relatively cautious risk profile of our investments, we should be well protected against extreme losses.

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

We are still aiming for a **consolidated result** of over €2bn for 2010. Following the major losses in the first half-year, this target remains ambitious, but given normal loss experience and continued strong investment results it is certainly achievable. We expect to be able to improve results in 2011.

Our 2009/2010 **share buy-back programme**, with a volume of €1bn, was concluded as planned on 21 April 2010. In May 2010, we launched the 2010/11 share buy-back programme. By the next Annual General Meeting on 20 April 2011, we intend to buy back shares for a maximum total purchase price of €1bn. The full execution of this share buy-back programme remains subject to developments in the capital markets and the general economic environment. By the end of July 2010, we had bought back a total of 2.0 million Munich Re shares with a volume of €207m.

The statements relating to opportunities and risks as presented in the Munich Re Group's Annual Report 2009 apply unchanged.

## Interim consolidated financial statements

### Consolidated balance sheet as at 30 June 2010<sup>1</sup>

| Assets   | 30.6.2010 |         |         | 31.12.2009 | Change |        |
|--|-----------|---------|---------|------------|--------|--------|
|  | €m        | €m      | €m      | €m         | €m     | %      |
| <b>A. Intangible assets</b>  |           |         |         |            |        |        |
| I. Goodwill  |           | 3,602   |         | 3,477      | 125    | 3.6    |
| II. Other intangible assets  |           | 1,736   |         | 1,718      | 18     | 1.0    |
|  |           |         | 5,338   | 5,195      | 143    | 2.8    |
| <b>B. Investments</b>  |           |         |         |            |        |        |
| I. Land and buildings, including buildings on third-party land                                     |           | 4,212   |         | 4,086      | 126    | 3.1    |
| Thereof:   |           |         |         |            |        |        |
| Investment property held for sale  |           | 22      |         | 90         | -68    | -75.6  |
| II. Investments in affiliated companies and associates   |           | 1,113   |         | 1,001      | 112    | 11.2   |
| III. Loans   |           | 48,295  |         | 46,622     | 1,673  | 3.6    |
| IV. Other securities   |           |         |         |            |        |        |
| 1. Held to maturity  | 70        |         |         | 84         | -14    | -16.7  |
| 2. Available for sale  | 121,932   |         |         | 115,605    | 6,327  | 5.5    |
| 3. At fair value through profit or loss  | 2,328     |         |         | 1,613      | 715    | 44.3   |
|  |           | 124,330 |         | 117,302    | 7,028  | 6.0    |
| V. Deposits retained on assumed reinsurance  |           | 6,929   |         | 6,798      | 131    | 1.9    |
| VI. Other investments  |           | 3,081   |         | 2,340      | 741    | 31.7   |
|  |           |         | 187,960 | 178,149    | 9,811  | 5.5    |
| <b>C. Investments for the benefit of life insurance policyholders who bear the investment risk</b> |           |         | 4,502   | 4,026      | 476    | 11.8   |
| <b>D. Ceded share of technical provisions</b>  |           |         | 6,000   | 4,983      | 1,017  | 20.4   |
| <b>E. Receivables</b>  |           |         |         |            |        |        |
| I. Current tax receivables   |           | 525     |         | 700        | -175   | -25.0  |
| II. Other receivables  |           | 11,410  |         | 10,070     | 1,340  | 13.3   |
|  |           |         | 11,935  | 10,770     | 1,165  | 10.8   |
| <b>F. Cash at bank, cheques and cash in hand</b>   |           |         | 3,385   | 3,082      | 303    | 9.8    |
| <b>G. Deferred acquisition costs</b>   |           |         |         |            |        |        |
| Gross  |           | 9,203   |         | 8,604      | 599    | 7.0    |
| Ceded share  |           | 86      |         | 76         | 10     | 13.2   |
| Net  |           |         | 9,117   | 8,528      | 589    | 6.9    |
| <b>H. Deferred tax assets</b>  |           |         | 5,369   | 5,025      | 344    | 6.8    |
| <b>I. Other assets</b>   |           |         | 3,716   | 3,654      | 62     | 1.7    |
| Thereof:   |           |         |         |            |        |        |
| Owner-occupied property held for sale  |           |         | -       | 13         | -13    | -100.0 |
| <b>Total assets</b>  |           |         | 237,322 | 223,412    | 13,910 | 6.2    |

<sup>1</sup> Previous year's figures adjusted owing to first-time recognition of Munich Health as a separate segment (see "Recognition and measurement") and to IFRS 3.62 and IAS 8.

Consolidated balance sheet

| Equity and liabilities   | 30.6.2010 |         | 31.12.2009 | Change |       |
|--|-----------|---------|------------|--------|-------|
|  | €m        | €m      | €m         | €m     | %     |
| <b>A. Equity</b>   |           |         |            |        |       |
| I. Issued capital and capital reserve  | 7,388     |         | 7,388      | -      | -     |
| II. Retained earnings  | 11,395    |         | 10,667     | 728    | 6.8   |
| III. Other reserves  | 3,530     |         | 1,473      | 2,057  | 139.6 |
| IV. Consolidated result attributable to<br>Munich Reinsurance Company equity holders   | 1,191     |         | 2,521      | -1,330 | -52.8 |
| V. Minority interests  | 245       |         | 229        | 16     | 7.0   |
|  |           | 23,749  | 22,278     | 1,471  | 6.6   |
| <b>B. Subordinated liabilities</b>   |           | 4,903   | 4,790      | 113    | 2.4   |
| <b>C. Gross technical provisions</b>   |           |         |            |        |       |
| I. Unearned premiums   | 8,220     |         | 6,946      | 1,274  | 18.3  |
| II. Provision for future policy benefits   | 103,237   |         | 100,862    | 2,375  | 2.4   |
| III. Provision for outstanding claims  | 51,699    |         | 46,846     | 4,853  | 10.4  |
| IV. Other technical provisions   | 10,400    |         | 10,146     | 254    | 2.5   |
|  |           | 173,556 | 164,800    | 8,756  | 5.3   |
| <b>D. Gross technical provisions for life insurance policies<br/>where the investment risk is borne by the policyholders</b> |           | 4,767   | 4,117      | 650    | 15.8  |
| <b>E. Other accrued liabilities</b>  |           | 3,190   | 3,206      | -16    | -0.5  |
| <b>F. Liabilities</b>  |           |         |            |        |       |
| I. Bonds and notes issued  | 320       |         | 276        | 44     | 15.9  |
| II. Deposits retained on ceded business  | 2,861     |         | 2,176      | 685    | 31.5  |
| III. Current tax liabilities   | 3,107     |         | 3,134      | -27    | -0.9  |
| IV. Other liabilities  | 11,598    |         | 10,114     | 1,484  | 14.7  |
|  |           | 17,886  | 15,700     | 2,186  | 13.9  |
| <b>G. Deferred tax liabilities</b>   |           | 9,271   | 8,521      | 750    | 8.8   |
| <b>Total equity and liabilities</b>  |           | 237,322 | 223,412    | 13,910 | 6.2   |

## Consolidated income statement for the period 1 January to 30 June 2010<sup>1</sup>

| Items   | Q1-2 2010     |        |              | Q1-2 2009     | Change       |              |
|---|---------------|--------|--------------|---------------|--------------|--------------|
|   | €m            | €m     | €m           | €m            | €m           | %            |
| <b>Gross premiums written</b>                             | <b>22,613</b> |        |              | <b>20,693</b> | <b>1,920</b> | <b>9.3</b>   |
| <b>1. Earned premiums</b>                                 |               |        |              |               |              |              |
| Gross   | 21,958        |        |              | 19,894        | 2,064        | 10.4         |
| Ceded   | 880           |        |              | 765           | 115          | 15.0         |
| Net   |               | 21,078 |              | 19,129        | 1,949        | 10.2         |
| <b>2. Income from technical interest</b>                  |               | 3,488  |              | 2,484         | 1,004        | 40.4         |
| <b>3. Expenses for claims and benefits</b>                |               |        |              |               |              |              |
| Gross   | 19,118        |        |              | 16,310        | 2,808        | 17.2         |
| Ceded share   | 566           |        |              | 296           | 270          | 91.2         |
| Net   |               | 18,552 |              | 16,014        | 2,538        | 15.8         |
| <b>4. Operating expenses</b>                              |               |        |              |               |              |              |
| Gross   | 5,562         |        |              | 4,744         | 818          | 17.2         |
| Ceded share   | 225           |        |              | 163           | 62           | 38.0         |
| Net   |               | 5,337  |              | 4,581         | 756          | 16.5         |
| <b>5. Technical result (1-4)</b>                          |               |        | <b>677</b>   | <b>1,018</b>  | <b>-341</b>  | <b>-33.5</b> |
| <b>6. Investment result</b>                               |               |        |              |               |              |              |
| Investment income   | 7,230         |        |              | 7,043         | 187          | 2.7          |
| Investment expenses                                       | 2,152         |        |              | 3,488         | -1,336       | -38.3        |
| Total   |               | 5,078  |              | 3,555         | 1,523        | 42.8         |
| Thereof:  |               |        |              |               |              |              |
| Income from associates                                    |               | 33     |              | -29           | 62           | -            |
| <b>7. Other operating income</b>                          |               | 347    |              | 325           | 22           | 6.8          |
| <b>8. Other operating expenses</b>                        |               | 396    |              | 305           | 91           | 29.8         |
| <b>9. Deduction of income from technical interest</b>     |               | -3,488 |              | -2,484        | -1,004       | -40.4        |
| <b>10. Non-technical result (6-9)</b>                     |               |        | <b>1,541</b> | <b>1,091</b>  | <b>450</b>   | <b>41.2</b>  |
| <b>11. Operating result</b>                               |               |        | <b>2,218</b> | <b>2,109</b>  | <b>109</b>   | <b>5.2</b>   |
| <b>12. Other non-operating result</b>                     |               |        | -325         | -151          | -174         | -115.2       |
| <b>13. Impairment losses of goodwill</b>                  |               |        | 109          | 98            | 11           | 11.2         |
| <b>14. Finance costs</b>                                  |               |        | 145          | 158           | -13          | -8.2         |
| <b>15. Taxes on income</b>                                |               |        | 445          | 568           | -123         | -21.7        |
| <b>16. Consolidated result</b>                            |               |        | <b>1,194</b> | <b>1,134</b>  | <b>60</b>    | <b>5.3</b>   |
| Thereof:  |               |        |              |               |              |              |
| Attributable to Munich Reinsurance Company equity holders |               |        | 1,191        | 1,118         | 73           | 6.5          |
| Attributable to minority interests                        |               |        | 3            | 16            | -13          | -81.3        |
|   |               |        | €            | €             | €            | %            |
| <b>Earnings per share</b>                                 |               |        | <b>6.33</b>  | <b>5.73</b>   | <b>0.60</b>  | <b>10.5</b>  |

<sup>1</sup> Previous year's figures adjusted owing to first-time recognition of Munich Health as a separate segment (see "Recognition and measurement") and to IFRS 3.62 and IAS 8.

## Consolidated income statement for the period 1 April to 30 June 2010

| Items   | Q2 2010       |               |              | Q2 2009       | Change      |              |
|---|---------------|---------------|--------------|---------------|-------------|--------------|
|   | €m            | €m            | €m           | €m            | €m          | %            |
| <b>Gross premiums written</b>                             | <b>10,956</b> |               |              | <b>10,326</b> | <b>630</b>  | <b>6.1</b>   |
| <b>1. Earned premiums</b>                                 |               |               |              |               |             |              |
| Gross   | 11,348        |               |              | 10,508        | 840         | 8.0          |
| Ceded   | 423           |               |              | 376           | 47          | 12.5         |
| Net   |               | 10,925        |              | 10,132        | 793         | 7.8          |
| <b>2. Income from technical interest</b>                  |               | <b>1,661</b>  |              | <b>1,334</b>  | <b>327</b>  | <b>24.5</b>  |
| <b>3. Expenses for claims and benefits</b>                |               |               |              |               |             |              |
| Gross   | 9,476         |               |              | 8,772         | 704         | 8.0          |
| Ceded share   | 318           |               |              | 113           | 205         | 181.4        |
| Net   |               | 9,158         |              | 8,659         | 499         | 5.8          |
| <b>4. Operating expenses</b>                              |               |               |              |               |             |              |
| Gross   | 2,977         |               |              | 2,408         | 569         | 23.6         |
| Ceded share   | 88            |               |              | 79            | 9           | 11.4         |
| Net   |               | 2,889         |              | 2,329         | 560         | 24.0         |
| <b>5. Technical result (1-4)</b>                          |               |               | <b>539</b>   | <b>478</b>    | <b>61</b>   | <b>12.8</b>  |
| <b>6. Investment result</b>                               |               |               |              |               |             |              |
| Investment income   | 3,856         |               |              | 3,452         | 404         | 11.7         |
| Investment expenses                                       | 1,238         |               |              | 1,264         | -26         | -2.1         |
| Total   |               | 2,618         |              | 2,188         | 430         | 19.7         |
| Thereof:  |               |               |              |               |             |              |
| Income from associates                                    |               | 19            |              | 18            | 1           | 5.6          |
| <b>7. Other operating income</b>                          |               | <b>166</b>    |              | <b>205</b>    | <b>-39</b>  | <b>-19.0</b> |
| <b>8. Other operating expenses</b>                        |               | <b>214</b>    |              | <b>164</b>    | <b>50</b>   | <b>30.5</b>  |
| <b>9. Deduction of income from technical interest</b>     |               | <b>-1,661</b> |              | <b>-1,334</b> | <b>-327</b> | <b>-24.5</b> |
| <b>10. Non-technical result (6-9)</b>                     |               |               | <b>909</b>   | <b>895</b>    | <b>14</b>   | <b>1.6</b>   |
| <b>11. Operating result</b>                               |               |               | <b>1,448</b> | <b>1,373</b>  | <b>75</b>   | <b>5.5</b>   |
| <b>12. Other non-operating result</b>                     |               |               | <b>-182</b>  | <b>-248</b>   | <b>66</b>   | <b>26.6</b>  |
| <b>13. Impairment losses of goodwill</b>                  |               |               | <b>109</b>   | <b>40</b>     | <b>69</b>   | <b>172.5</b> |
| <b>14. Finance costs</b>                                  |               |               | <b>76</b>    | <b>76</b>     | <b>-</b>    | <b>-</b>     |
| <b>15. Taxes on income</b>                                |               |               | <b>372</b>   | <b>312</b>    | <b>60</b>   | <b>19.2</b>  |
| <b>16. Consolidated result</b>                            |               |               | <b>709</b>   | <b>697</b>    | <b>12</b>   | <b>1.7</b>   |
| Thereof:  |               |               |              |               |             |              |
| Attributable to Munich Reinsurance Company equity holders |               |               | 709          | 685           | 24          | 3.5          |
| Attributable to minority interests                        |               |               | -            | 12            | -12         | -100.0       |
|   |               |               | €            | €             | €           | %            |
| <b>Earnings per share</b>                                 |               |               | <b>3.80</b>  | <b>3.51</b>   | <b>0.29</b> | <b>8.3</b>   |

## Consolidated income statement (quarterly breakdown)

| Items   | Q2 2010       | Q1 2010       | Q4 2009       | Q3 2009       | Q2 2009       | Q1 2009       |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| €m  |               |               |               |               |               |               |
| <b>Gross premiums written</b>                             | <b>10,956</b> | <b>11,657</b> | <b>10,375</b> | <b>10,355</b> | <b>10,326</b> | <b>10,367</b> |
| <b>1. Earned premiums</b>                                 |               |               |               |               |               |               |
| Gross   | 11,348        | 10,610        | 10,884        | 10,449        | 10,508        | 9,386         |
| Ceded   | 423           | 457           | 470           | 466           | 376           | 389           |
| Net   | <b>10,925</b> | <b>10,153</b> | <b>10,414</b> | <b>9,983</b>  | <b>10,132</b> | <b>8,997</b>  |
| <b>2. Income from technical interest</b>                  | <b>1,661</b>  | <b>1,827</b>  | <b>1,452</b>  | <b>1,858</b>  | <b>1,334</b>  | <b>1,150</b>  |
| <b>3. Expenses for claims and benefits</b>                |               |               |               |               |               |               |
| Gross   | 9,476         | 9,642         | 8,177         | 8,676         | 8,772         | 7,538         |
| Ceded share   | 318           | 248           | 156           | 319           | 113           | 183           |
| Net   | <b>9,158</b>  | <b>9,394</b>  | <b>8,021</b>  | <b>8,357</b>  | <b>8,659</b>  | <b>7,355</b>  |
| <b>4. Operating expenses</b>                              |               |               |               |               |               |               |
| Gross   | 2,977         | 2,585         | 3,079         | 2,763         | 2,408         | 2,336         |
| Ceded share   | 88            | 137           | 111           | 131           | 79            | 84            |
| Net   | <b>2,889</b>  | <b>2,448</b>  | <b>2,968</b>  | <b>2,632</b>  | <b>2,329</b>  | <b>2,252</b>  |
| <b>5. Technical result (1-4)</b>                          | <b>539</b>    | <b>138</b>    | <b>877</b>    | <b>852</b>    | <b>478</b>    | <b>540</b>    |
| <b>6. Investment result</b>                               |               |               |               |               |               |               |
| Investment income   | 3,856         | 3,374         | 3,311         | 3,221         | 3,452         | 3,591         |
| Investment expenses                                       | 1,238         | 914           | 1,220         | 984           | 1,264         | 2,224         |
| Total   | <b>2,618</b>  | <b>2,460</b>  | <b>2,091</b>  | <b>2,237</b>  | <b>2,188</b>  | <b>1,367</b>  |
| Thereof:  |               |               |               |               |               |               |
| Income from associates                                    | 19            | 14            | -69           | -25           | 18            | -47           |
| <b>7. Other operating income</b>                          | <b>166</b>    | <b>181</b>    | <b>199</b>    | <b>164</b>    | <b>205</b>    | <b>120</b>    |
| <b>8. Other operating expenses</b>                        | <b>214</b>    | <b>182</b>    | <b>315</b>    | <b>183</b>    | <b>164</b>    | <b>141</b>    |
| <b>9. Deduction of income from technical interest</b>     | <b>-1,661</b> | <b>-1,827</b> | <b>-1,452</b> | <b>-1,858</b> | <b>-1,334</b> | <b>-1,150</b> |
| <b>10. Non-technical result (6-9)</b>                     | <b>909</b>    | <b>632</b>    | <b>523</b>    | <b>360</b>    | <b>895</b>    | <b>196</b>    |
| <b>11. Operating result</b>                               | <b>1,448</b>  | <b>770</b>    | <b>1,400</b>  | <b>1,212</b>  | <b>1,373</b>  | <b>736</b>    |
| <b>12. Other non-operating result</b>                     | <b>-182</b>   | <b>-143</b>   | <b>-278</b>   | <b>-43</b>    | <b>-248</b>   | <b>97</b>     |
| <b>13. Impairment losses of goodwill</b>                  | <b>109</b>    | <b>-</b>      | <b>19</b>     | <b>-</b>      | <b>40</b>     | <b>58</b>     |
| <b>14. Finance costs</b>                                  | <b>76</b>     | <b>69</b>     | <b>73</b>     | <b>73</b>     | <b>76</b>     | <b>82</b>     |
| <b>15. Taxes on income</b>                                | <b>372</b>    | <b>73</b>     | <b>250</b>    | <b>446</b>    | <b>312</b>    | <b>256</b>    |
| <b>16. Consolidated result</b>                            | <b>709</b>    | <b>485</b>    | <b>780</b>    | <b>650</b>    | <b>697</b>    | <b>437</b>    |
| Thereof:  |               |               |               |               |               |               |
| Attributable to Munich Reinsurance Company equity holders | 709           | 482           | 760           | 643           | 685           | 433           |
| Attributable to minority interests                        | -             | 3             | 20            | 7             | 12            | 4             |
| €   |               |               |               |               |               |               |
| <b>Earnings per share</b>                                 | <b>3.80</b>   | <b>2.54</b>   | <b>3.94</b>   | <b>3.29</b>   | <b>3.51</b>   | <b>2.22</b>   |



## Statement of recognised income and expense for the period 1 January to 30 June 2010

|  | Q1-2 2010    | Q1-2 2009    |
|--|--------------|--------------|
|  | €m           | €m           |
| <b>Consolidated result</b>                                 | <b>1,194</b> | <b>1,134</b> |
| <b>Currency translation</b>                                |              |              |
| Gains (losses) recognised in equity                        | 1,512        | 51           |
| Recognised in the consolidated income statement            | -            | -            |
| <b>Unrealised gains and losses on investments</b>          |              |              |
| Gains (losses) recognised in equity                        | 1,317        | 594          |
| Recognised in the consolidated income statement            | -756         | -657         |
| <b>Change resulting from valuation at equity</b>           |              |              |
| Gains (losses) recognised in equity                        | 1            | 21           |
| Recognised in the consolidated income statement            | -            | -            |
| <b>Change resulting from cash flow hedges</b>              |              |              |
| Gains (losses) recognised in equity                        | -3           | -            |
| Recognised in the consolidated income statement            | -            | -            |
| <b>Actuarial gains and losses on defined benefit plans</b> | <b>12</b>    | <b>47</b>    |
| <b>Other changes</b>                                       | <b>2</b>     | <b>-17</b>   |
| <b>Income and expense recognised directly in equity</b>    | <b>2,085</b> | <b>39</b>    |
| <b>Total recognised income and expense</b>                 | <b>3,279</b> | <b>1,173</b> |
| Thereof:   |              |              |
| Attributable to Munich Reinsurance Company equity holders  | 3,261        | 1,171        |
| Attributable to minority interests                         | 18           | 2            |

## Statement of recognised income and expense for the period 1 April to 30 June 2010

|  | Q2 2010      | Q2 2009    |
|--|--------------|------------|
|  | €m           | €m         |
| <b>Consolidated result</b>                                 | <b>709</b>   | <b>697</b> |
| <b>Currency translation</b>                                |              |            |
| Gains (losses) recognised in equity                        | 989          | -216       |
| Recognised in the consolidated income statement            | -            | -          |
| <b>Unrealised gains and losses on investments</b>          |              |            |
| Gains (losses) recognised in equity                        | 562          | 641        |
| Recognised in the consolidated income statement            | -360         | -530       |
| <b>Change resulting from valuation at equity</b>           |              |            |
| Gains (losses) recognised in equity                        | 5            | 44         |
| Recognised in the consolidated income statement            | -            | -          |
| <b>Change resulting from cash flow hedges</b>              |              |            |
| Gains (losses) recognised in equity                        | -2           | -1         |
| Recognised in the consolidated income statement            | -            | -          |
| <b>Actuarial gains and losses on defined benefit plans</b> | <b>10</b>    | <b>67</b>  |
| <b>Other changes</b>                                       | <b>9</b>     | <b>-5</b>  |
| <b>Income and expense recognised directly in equity</b>    | <b>1,213</b> | <b>-</b>   |
| <b>Total recognised income and expense</b>                 | <b>1,922</b> | <b>697</b> |
| Thereof:   |              |            |
| Attributable to Munich Reinsurance Company equity holders  | 1,915        | 673        |
| Attributable to minority interests                         | 7            | 24         |



## Group statement of changes in equity

€m

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**Status at 31.12.2008**

Allocation to retained earnings

Consolidated result

Income and expense recognised directly in equity

Currency translation

Unrealised gains and losses on investments

Change resulting from valuation at equity

Change resulting from cash flow hedges

Actuarial gains and losses on defined benefit plans

Other changes

**Total recognised income and expense**

Change in shareholdings in subsidiaries

Change in consolidated group

Dividend

Share buy-backs

Retirement of own shares

**Status at 30.6.2009**

**Status at 31.12.2009**

Allocation to retained earnings

Consolidated result

Income and expense recognised directly in equity

Currency translation

Unrealised gains and losses on investments

Change resulting from valuation at equity

Change resulting from cash flow hedges

Actuarial gains and losses on defined benefit plans

Other changes

**Total recognised income and expense**

Change in shareholdings in subsidiaries

Change in consolidated group

Dividend

Share buy-backs

Retirement of own shares

**Status at 30.6.2010**

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Group statement of changes in equity

| Equity attributable to Munich Reinsurance Company equity holders |                 |  |                 |                             |                                   |  |                     | Minority interests | Total equity |
|--|-----------------|--|-----------------|-----------------------------|-----------------------------------|--|---------------------|--------------------|--------------|
| Issued capital   | Capital reserve | Retained earnings                                |                 | Other reserves              |                                   |  | Consolidated result |                    |              |
|  |                 | Retained earnings before deduction of own shares | Own shares held | Unrealised gains and losses | Reserve from currency translation | Valuation result from cash flow hedges |                     |                    |              |
| 588  | 6,800           | 12,024   | -1,181          | 2,227                       | -1,194                            | 3                                      | 1,555               | 285                | 21,107       |
| -  | -               | 482  | -               | -                           | -                                 | -                                      | -482                | -                  | -            |
| -  | -               | -  | -               | -                           | -                                 | -                                      | 1,118               | 16                 | 1,134        |
| -  | -               | 52   | -               | -52                         | 53                                | -                                      | -                   | -14                | 39           |
| -  | -               | -  | -               | -                           | 53                                | -                                      | -                   | -2                 | 51           |
| -  | -               | -  | -               | -68                         | -                                 | -                                      | -                   | 5                  | -63          |
| -  | -               | 5  | -               | 16                          | -                                 | -                                      | -                   | -                  | 21           |
| -  | -               | -  | -               | -                           | -                                 | -                                      | -                   | -                  | -            |
| -  | -               | 47   | -               | -                           | -                                 | -                                      | -                   | -                  | 47           |
| -  | -               | -  | -               | -                           | -                                 | -                                      | -                   | -17                | -17          |
| -  | -               | 52   | -               | -52                         | 53                                | -                                      | 1,118               | 2                  | 1,173        |
| -  | -               | 3  | -               | -                           | -                                 | -                                      | -                   | -34                | -31          |
| -  | -               | 8  | -               | -                           | -                                 | -                                      | -                   | 1                  | 9            |
| -  | -               | -  | -               | -                           | -                                 | -                                      | -1,073              | -2                 | -1,075       |
| -  | -               | -  | -57             | -                           | -                                 | -                                      | -                   | -                  | -57          |
| -  | -               | -1,000   | 1,000           | -                           | -                                 | -                                      | -                   | -                  | -            |
| 588  | 6,800           | 11,569   | -238            | 2,175                       | -1,141                            | 3                                      | 1,118               | 252                | 21,126       |
| 588  | 6,800           | 11,247   | -580            | 2,717                       | -1,245                            | 1                                      | 2,521               | 229                | 22,278       |
| -  | -               | 1,449  | -               | -                           | -                                 | -                                      | -1,449              | -                  | -            |
| -  | -               | -  | -               | -                           | -                                 | -                                      | 1,191               | 3                  | 1,194        |
| -  | -               | 13   | -               | 554                         | 1,506                             | -3                                     | -                   | 15                 | 2,085        |
| -  | -               | -  | -               | -                           | 1,506                             | -                                      | -                   | 6                  | 1,512        |
| -  | -               | -  | -               | 558                         | -                                 | -                                      | -                   | 3                  | 561          |
| -  | -               | 5  | -               | -4                          | -                                 | -                                      | -                   | -                  | 1            |
| -  | -               | -  | -               | -                           | -                                 | -3                                     | -                   | -                  | -3           |
| -  | -               | 12   | -               | -                           | -                                 | -                                      | -                   | -                  | 12           |
| -  | -               | -4   | -               | -                           | -                                 | -                                      | -                   | 6                  | 2            |
| -  | -               | 13   | -               | 554                         | 1,506                             | -3                                     | 1,191               | 18                 | 3,279        |
| -  | -               | -1   | -               | -                           | -                                 | -                                      | -                   | -                  | -1           |
| -  | -               | -  | -               | -                           | -                                 | -                                      | -                   | -                  | -            |
| -  | -               | -  | -               | -                           | -                                 | -                                      | -1,072              | -2                 | -1,074       |
| -  | -               | -  | -733            | -                           | -                                 | -                                      | -                   | -                  | -733         |
| -  | -               | -1,002   | 1,002           | -                           | -                                 | -                                      | -                   | -                  | -            |
| 588  | 6,800           | 11,706   | -311            | 3,271                       | 261                               | -2                                     | 1,191               | 245                | 23,749       |

## Condensed consolidated cash flow statement for the period from 1 January to 30 June 2010

|  | Q1-2 2010     | Q1-2 2009     |
|--|---------------|---------------|
|  | €m            | €m            |
| <b>Consolidated result</b>   | <b>1,194</b>  | <b>1,134</b>  |
| Net change in technical provisions   | 6,386         | 4,111         |
| Change in deferred acquisition costs   | -589          | -238          |
| Change in deposits retained and accounts receivable and payable                    | -100          | -941          |
| Change in other receivables and liabilities  | 702           | -9            |
| Gains and losses on the disposal of investments                                    | -1,047        | -639          |
| Change in securities held for trading  | -341          | 1,025         |
| Change in other balance sheet items  | -51           | 73            |
| Other income and expenses without impact on cash flow                              | -1,037        | 719           |
| <b>I. Cash flows from operating activities</b>                                     | <b>5,117</b>  | <b>5,235</b>  |
| Inflows from the sale of consolidated companies                                    | 2             | -             |
| Outflows for the acquisition of consolidated companies                             | -             | 560           |
| Change from the acquisition, sale and maturities of other investments              | -2,416        | -1,983        |
| Change from the acquisition and sale of investments for unit-linked life insurance | -387          | -367          |
| Other  | -91           | -72           |
| <b>II. Cash flows from investing activities</b>                                    | <b>-2,892</b> | <b>-2,982</b> |
| Inflows from increases in capital  | -             | -             |
| Outflows for share buy-backs   | 733           | 57            |
| Dividend payments  | 1,074         | 1,075         |
| Change from other financing activities   | -236          | -1,103        |
| <b>III. Cash flows from financing activities</b>                                   | <b>-2,043</b> | <b>-2,235</b> |
| <b>Cash flows for the financial year (I + II + III)</b>                            | <b>182</b>    | <b>18</b>     |
| Effect of exchange rate changes on cash  | 121           | 10            |
| Cash at the beginning of the financial year  | 3,082         | 2,365         |
| Cash at 30 June of the financial year  | 3,385         | 2,393         |

## Selected notes to the consolidated financial statements

### Recognition and measurement

This half-year financial report as at 30 June 2010 has been prepared in accordance with International Financial Reporting Standards (IFRSs) as applicable in the European Union. The condensed interim consolidated financial statements are prepared in accordance with IAS 34, Interim Financial Reporting. We have complied with all new and amended IFRSs and IFRIC interpretations whose application is compulsory for the first time for periods beginning on 1 January 2010.

The following new or revised standards are of significance:

The revision of [IFRS 3 \(rev. 01/2008\), Business Combinations](#), and [IAS 27 \(rev. 01/2008\), Consolidated and Separate Financial Statements](#), mainly involves changes in the balance sheet recognition of non-controlling interests, successive share purchases, acquisition-related costs and contingent consideration. In addition, there have been amendments to the rules for the treatment of changes in ownership interests with and without loss of control. This has resulted in a knock-on change to IAS 28, Investments in Associates. Effects of the new rules for Munich Re will, owing to their prospective application, result only for future acquisitions or sales of shareholdings and will be dependent on the conditions of the respective transaction.

The change in [IAS 39 \(rev. 07/2008\), Financial Instruments: Recognition and Measurement, Eligible Hedged Items](#), provides guidance on designating a portion of cash flows or a risk as a "hedged item" and the extent to which inflation risks may be designated "hedged items". The new rules have had no impact for Munich Re.

The change to [IFRS 2 \(rev. 06/2009\), Share-based Payment](#), clarifies the recognition of cash-settled share-based payment transactions. The new rules mainly concern the question of how individual subsidiaries in a group are to recognise (cash-settled) share-based payment agreements in their own financial statements. Under these agreements, the subsidiary receives goods or services from employees or suppliers which the parent or another group company pays for. The new rules have had no implications for Munich Re.

The changes published as part of the IASB's Annual Improvement Process in April 2009 are also to be applied for the first time for financial years beginning on or after 1 January 2010. Involving a total of ten standards and two interpretations, they are of subordinate importance for Munich Re.

The first-time application of the interpretation IFRIC 17, Distributions of Non-cash Assets to Owners, has had no material impact.

As from this year, the business field of Munich Health, which covers our health reinsurance business worldwide and our health primary insurance outside Germany, is being shown for the first time as a separate segment. Munich Health's business was previously disclosed in the segments "life and health reinsurance" and "health primary insurance". Minus the business written by Munich Health, the segment "life and health reinsurance" has become simply "life reinsurance". The health primary insurance segment continues to include our German health insurance business and our travel insurance business.

In the Munich Health segment too, an interest component in the form of income from technical interest is recognised in the technical result. For international primary insurance business, the income from technical interest is based on the interest allocated to the provision for future policy benefits (actuarial interest rate) and the interest on technical provisions at the relevant national risk-free interest rate. In the case of long-term reinsurance treaties, the interest corresponds to the contractually agreed allocations of interest. For short-term reinsurance treaties, the technical interest is calculated on the basis of the risk-free interest on technical provisions at the relevant national interest rate. In addition, we have further refined the method of distributing the investment results between our segments. The figures for the previous year have been adjusted accordingly.

Otherwise, the same principles of recognition, measurement and consolidation have been applied as in our consolidated financial statements as at 31 December 2009. 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 Munich Re's quarterly financial statements are calculated in the same way as for the consolidated financial statements as at 31 December 2009, i.e. a direct tax calculation is made per quarterly result of the individual consolidated companies.

#### 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 |          |          |          |
|----------------------------|---------------|------------|------------------|----------|----------|----------|
|                            | 30.6.2010     | 31.12.2009 | Q2 2010          | Q1 2010  | Q2 2009  | Q1 2009  |
| Rate for €1                |               |            |                  |          |          |          |
| Australian dollar          | 1.45020       | 1.59530    | 1.44180          | 1.53014  | 1.79266  | 1.96394  |
| Canadian dollar            | 1.30165       | 1.50410    | 1.30782          | 1.43929  | 1.58953  | 1.62405  |
| Pound sterling             | 0.81875       | 0.88845    | 0.85292          | 0.88760  | 0.87939  | 0.90966  |
| Rand                       | 9.38985       | 10.56510   | 9.60159          | 10.38680 | 11.52100 | 12.96380 |
| Swiss franc                | 1.32090       | 1.48315    | 1.40842          | 1.46288  | 1.51389  | 1.49659  |
| US dollar                  | 1.22490       | 1.43475    | 1.27292          | 1.38356  | 1.36218  | 1.30438  |
| Yen                        | 108.3910      | 133.5680   | 117.2940         | 125.5380 | 132.6520 | 122.1650 |





## Segment reporting

| Segment assets<br>€m   | Reinsurance   |                |                   |                | Primary insurance |                |
|--|---------------|----------------|-------------------|----------------|-------------------|----------------|
|  | Life          |                | Property-casualty |                | Life              |                |
|  | 30.6.<br>2010 | 31.12.<br>2009 | 30.6.<br>2010     | 31.12.<br>2009 | 30.6.<br>2010     | 31.12.<br>2009 |
| <b>A. Intangible assets</b>  | <b>186</b>    | <b>182</b>     | <b>2,213</b>      | <b>1,955</b>   | <b>1,183</b>      | <b>1,206</b>   |
| <b>B. Investments</b>  |               |                |                   |                |                   |                |
| I. Land and buildings,<br>including buildings on third-party land  | 260           | 211            | 1,160             | 1,095          | 1,749             | 1,776          |
| Thereof:   |               |                |                   |                |                   |                |
| Investment property held for sale  | -             | 8              | -                 | 39             | 22                | 43             |
| II. Investments in affiliated companies and associates   | 1,254         | 1,086          | 5,359             | 5,442          | 410               | 356            |
| III. Loans   | 374           | 357            | 1,579             | 1,760          | 32,204            | 31,334         |
| IV. Other securities   |               |                |                   |                |                   |                |
| 1. Held to maturity  | -             | -              | -                 | -              | 69                | 83             |
| 2. Available for sale  | 13,186        | 10,820         | 50,100            | 46,543         | 38,190            | 38,370         |
| 3. At fair value through profit or loss  | 141           | 87             | 1,260             | 751            | 814               | 730            |
|  | 13,327        | 10,907         | 51,360            | 47,294         | 39,073            | 39,183         |
| V. Deposits retained on assumed reinsurance  | 6,114         | 6,201          | 1,535             | 1,351          | 132               | 119            |
| VI. Other investments  | 162           | 160            | 732               | 977            | 1,457             | 633            |
|  | 21,491        | 18,922         | 61,725            | 57,919         | 75,025            | 73,401         |
| <b>C. Investments for the benefit of life insurance policyholders<br/>  who bear the investment risk</b> | -             | -              | -                 | -              | 4,500             | 4,024          |
| <b>D. Ceded share of technical provisions</b>  | <b>1,079</b>  | <b>397</b>     | <b>2,919</b>      | <b>2,603</b>   | <b>2,851</b>      | <b>2,833</b>   |
| <b>E. Other segment assets</b>   | <b>5,701</b>  | <b>4,788</b>   | <b>10,451</b>     | <b>10,033</b>  | <b>9,567</b>      | <b>9,123</b>   |
| Thereof:   |               |                |                   |                |                   |                |
| Owner-occupied property held for sale  | -             | 3              | -                 | 9              | -                 | -              |
| <b>Total segment assets</b>  | <b>28,457</b> | <b>24,289</b>  | <b>77,308</b>     | <b>72,510</b>  | <b>93,126</b>     | <b>90,587</b>  |

Segment reporting

|               |                |                   |                | Munich Health |                | Asset management |                | Consolidation |                | Total         |                |
|---------------|----------------|-------------------|----------------|---------------|----------------|------------------|----------------|---------------|----------------|---------------|----------------|
| Health        |                | Property-casualty |                |               |                |                  |                |               |                |               |                |
| 30.6.<br>2010 | 31.12.<br>2009 | 30.6.<br>2010     | 31.12.<br>2009 | 30.6.<br>2010 | 31.12.<br>2009 | 30.6.<br>2010    | 31.12.<br>2009 | 30.6.<br>2010 | 31.12.<br>2009 | 30.6.<br>2010 | 31.12.<br>2009 |
| 691           | 696            | 920               | 1,008          | 134           | 138            | 14               | 13             | -3            | -3             | 5,338         | 5,195          |
| 629           | 635            | 347               | 309            | 18            | 15             | 50               | 46             | -1            | -1             | 4,212         | 4,086          |
| -             | -              | -                 | -              | -             | -              | -                | -              | -             | -              | 22            | 90             |
| 315           | 321            | 4,064             | 4,025          | 49            | 34             | 83               | 66             | -10,421       | -10,329        | 1,113         | 1,001          |
| 15,510        | 14,765         | 2,423             | 2,347          | 27            | 25             | -                | -              | -3,822        | -3,966         | 48,295        | 46,622         |
| -             | -              | 1                 | 1              | -             | -              | -                | -              | -             | -              | 70            | 84             |
| 12,150        | 12,077         | 5,984             | 5,870          | 2,218         | 1,821          | 105              | 105            | -1            | -1             | 121,932       | 115,605        |
| 80            | 33             | 12                | 5              | 21            | 7              | -                | -              | -             | -              | 2,328         | 1,613          |
| 12,230        | 12,110         | 5,997             | 5,876          | 2,239         | 1,828          | 105              | 105            | -1            | -1             | 124,330       | 117,302        |
| 5             | 5              | 20                | 20             | 1,254         | 1,232          | -                | -              | -2,131        | -2,130         | 6,929         | 6,798          |
| 185           | 69             | 629               | 509            | 26            | 14             | 428              | 265            | -538          | -287           | 3,081         | 2,340          |
| 28,874        | 27,905         | 13,480            | 13,086         | 3,613         | 3,148          | 666              | 482            | -16,914       | -16,714        | 187,960       | 178,149        |
| 1             | 1              | -                 | -              | 1             | 1              | -                | -              | -             | -              | 4,502         | 4,026          |
| 1,085         | 1,076          | 931               | 853            | 8             | 31             | -                | -              | -2,873        | -2,810         | 6,000         | 4,983          |
| 3,356         | 3,277          | 4,200             | 4,056          | 1,880         | 1,522          | 165              | 89             | -1,798        | -1,829         | 33,522        | 31,059         |
| -             | -              | -                 | -              | -             | 1              | -                | -              | -             | -              | -             | 13             |
| 34,007        | 32,955         | 19,531            | 19,003         | 5,636         | 4,840          | 845              | 584            | -21,588       | -21,356        | 237,322       | 223,412        |

## Segment reporting

| Segment equity and liabilities<br>€m   | Reinsurance   |                |                   |                | Primary insurance |                |
|--|---------------|----------------|-------------------|----------------|-------------------|----------------|
|  | Life          |                | Property-casualty |                | Life              |                |
|  | 30.6.<br>2010 | 31.12.<br>2009 | 30.6.<br>2010     | 31.12.<br>2009 | 30.6.<br>2010     | 31.12.<br>2009 |
| <b>A. Subordinated liabilities</b>   | <b>1,361</b>  | <b>1,421</b>   | <b>2,922</b>      | <b>2,782</b>   | <b>101</b>        | <b>104</b>     |
| <b>B. Gross technical provisions</b>   |               |                |                   |                |                   |                |
| I. Unearned premiums   | 66            | 113            | 5,755             | 4,955          | 1                 | 1              |
| II. Provision for future policy benefits   | 11,447        | 10,636         | 292               | 300            | 69,103            | 68,629         |
| III. Provision for outstanding claims  | 4,438         | 3,830          | 39,767            | 35,756         | 1,454             | 1,475          |
| IV. Other technical provisions   | 437           | 678            | 123               | 135            | 3,308             | 2,802          |
|  | 16,388        | 15,257         | 45,937            | 41,146         | 73,866            | 72,907         |
| <b>C. Gross technical provisions for life insurance policies<br/>where the investment risk is borne by the policyholders</b> | -             | -              | -                 | -              | <b>4,765</b>      | <b>4,115</b>   |
| <b>D. Other accrued liabilities</b>  | <b>162</b>    | <b>136</b>     | <b>599</b>        | <b>630</b>     | <b>516</b>        | <b>486</b>     |
| <b>E. Other segment liabilities</b>  | <b>5,285</b>  | <b>4,118</b>   | <b>9,836</b>      | <b>8,909</b>   | <b>10,234</b>     | <b>9,381</b>   |
| <b>Total segment liabilities</b>   | <b>23,196</b> | <b>20,932</b>  | <b>59,294</b>     | <b>53,467</b>  | <b>89,482</b>     | <b>86,993</b>  |

Segment reporting

|  | Health        |                | Property-casualty |                | Munich Health |                | Asset management |                | Consolidation  |                | Total                               |                |                |
|--|---------------|----------------|-------------------|----------------|---------------|----------------|------------------|----------------|----------------|----------------|-------------------------------------|----------------|----------------|
|  | 30.6.<br>2010 | 31.12.<br>2009 | 30.6.<br>2010     | 31.12.<br>2009 | 30.6.<br>2010 | 31.12.<br>2009 | 30.6.<br>2010    | 31.12.<br>2009 | 30.6.<br>2010  | 31.12.<br>2009 | 30.6.<br>2010                       | 31.12.<br>2009 |                |
|  | <b>24</b>     | <b>24</b>      | <b>369</b>        | <b>371</b>     | <b>188</b>    | <b>147</b>     | -                | -              | <b>-62</b>     | <b>-59</b>     | <b>4,903</b>                        | <b>4,790</b>   |                |
|  | 142           | 89             | 1,888             | 1,494          | 482           | 370            | -                | -              | -114           | -76            | 8,220                               | 6,946          |                |
|  | 22,402        | 21,365         | 425               | 394            | 1,560         | 1,500          | -                | -              | -1,992         | -1,962         | 103,237                             | 100,862        |                |
|  | 948           | 943            | 4,771             | 4,657          | 949           | 798            | -                | -              | -628           | -613           | 51,699                              | 46,846         |                |
|  | 6,277         | 6,307          | 170               | 151            | 219           | 234            | -                | -              | -134           | -161           | 10,400                              | 10,146         |                |
|  | 29,769        | 28,704         | 7,254             | 6,696          | 3,210         | 2,902          | -                | -              | -2,868         | -2,812         | 173,556                             | 164,800        |                |
|  | <b>1</b>      | <b>1</b>       | -                 | -              | <b>1</b>      | <b>1</b>       | -                | -              | -              | -              | <b>4,767</b>                        | <b>4,117</b>   |                |
|  | <b>258</b>    | <b>283</b>     | <b>1,623</b>      | <b>1,610</b>   | <b>91</b>     | <b>87</b>      | <b>40</b>        | <b>49</b>      | <b>-99</b>     | <b>-75</b>     | <b>3,190</b>                        | <b>3,206</b>   |                |
|  | <b>2,262</b>  | <b>2,227</b>   | <b>5,904</b>      | <b>5,992</b>   | <b>1,187</b>  | <b>1,190</b>   | <b>667</b>       | <b>399</b>     | <b>-8,218</b>  | <b>-7,995</b>  | <b>27,157</b>                       | <b>24,221</b>  |                |
|  | <b>32,314</b> | <b>31,239</b>  | <b>15,150</b>     | <b>14,669</b>  | <b>4,677</b>  | <b>4,327</b>   | <b>707</b>       | <b>448</b>     | <b>-11,247</b> | <b>-10,941</b> | <b>213,573</b>                      | <b>201,134</b> |                |
|  |               |                |                   |                |               |                |                  |                |                |                | <b>Equity</b>                       | <b>23,749</b>  | <b>22,278</b>  |
|  |               |                |                   |                |               |                |                  |                |                |                | <b>Total equity and liabilities</b> | <b>237,322</b> | <b>223,412</b> |

## Segment reporting

| Segment income statement 1.1.-30.6.2010<br>€m  | Reinsurance  |              |                   |              | Primary insurance |               |
|--|--------------|--------------|-------------------|--------------|-------------------|---------------|
|  | Life         |              | Property-casualty |              | Life              |               |
|  | Q1-2<br>2010 | Q1-2<br>2009 | Q1-2<br>2010      | Q1-2<br>2009 | Q1-2<br>2010      | Q1-2<br>2009  |
| <b>Gross premiums written</b>  | <b>3,891</b> | <b>3,089</b> | <b>7,676</b>      | <b>7,820</b> | <b>3,123</b>      | <b>3,031</b>  |
| Thereof:   |              |              |                   |              |                   |               |
| From insurance transactions with other segments  | 66           | 166          | 196               | 179          | -                 | -             |
| From insurance transactions with external third parties                                | 3,825        | 2,923        | 7,480             | 7,641        | 3,123             | 3,031         |
| <b>1. Earned premiums</b>  |              |              |                   |              |                   |               |
| Gross  | 3,955        | 3,098        | 7,427             | 7,385        | 3,123             | 3,032         |
| Ceded  | 213          | 159          | 490               | 428          | 133               | 233           |
| Net  | 3,742        | 2,939        | 6,937             | 6,957        | 2,990             | 2,799         |
| <b>2. Income from technical interest</b>   | <b>281</b>   | <b>285</b>   | <b>683</b>        | <b>371</b>   | <b>1,751</b>      | <b>1,260</b>  |
| <b>3. Expenses for claims and benefits</b>   |              |              |                   |              |                   |               |
| Gross  | 2,796        | 2,315        | 5,709             | 5,129        | 4,295             | 3,541         |
| Ceded share  | 99           | 72           | 378               | 153          | 58                | 95            |
| Net  | 2,697        | 2,243        | 5,331             | 4,976        | 4,237             | 3,446         |
| <b>4. Operating expenses</b>   |              |              |                   |              |                   |               |
| Gross  | 1,151        | 917          | 2,211             | 1,957        | 571               | 539           |
| Ceded share  | 78           | 52           | 117               | 87           | 27                | 99            |
| Net  | 1,073        | 865          | 2,094             | 1,870        | 544               | 440           |
| Thereof:   |              |              |                   |              |                   |               |
| Amortisation and impairment losses of acquired insurance portfolios                    | 6            | 1            | -                 | 3            | 14                | 31            |
| <b>5. Technical result (1-4)</b>   | <b>253</b>   | <b>116</b>   | <b>195</b>        | <b>482</b>   | <b>-40</b>        | <b>173</b>    |
| <b>6. Investment result</b>  |              |              |                   |              |                   |               |
| Investment income  | 929          | 835          | 2,633             | 2,967        | 2,418             | 2,406         |
| Investment expenses  | 402          | 331          | 1,003             | 1,509        | 385               | 1,284         |
| Total  | 527          | 504          | 1,630             | 1,458        | 2,033             | 1,122         |
| Thereof:   |              |              |                   |              |                   |               |
| Interest and similar income  | 361          | 384          | 892               | 873          | 1,470             | 1,484         |
| Interest charges and similar expenses  | 8            | 12           | 44                | 44           | 13                | 31            |
| Write-downs of investments   | 183          | 145          | 318               | 539          | 109               | 660           |
| Write-ups of investments   | 118          | 160          | 459               | 444          | 320               | 167           |
| Income from associates   | 3            | -1           | 15                | -5           | 6                 | -18           |
| <b>7. Other operating income</b>   | <b>42</b>    | <b>31</b>    | <b>158</b>        | <b>129</b>   | <b>209</b>        | <b>250</b>    |
| Thereof:   |              |              |                   |              |                   |               |
| Interest and similar income  | 12           | 5            | 27                | 22           | 2                 | 6             |
| Write-ups of other operating assets  | 1            | -            | 3                 | -            | -                 | -             |
| <b>8. Other operating expenses</b>   | <b>32</b>    | <b>27</b>    | <b>112</b>        | <b>81</b>    | <b>255</b>        | <b>275</b>    |
| Thereof:   |              |              |                   |              |                   |               |
| Interest charges and similar expenses  | 4            | 6            | 8                 | 16           | 5                 | 3             |
| Write-downs of other operating assets  | 2            | 2            | 6                 | 6            | 13                | 11            |
| <b>9. Deduction of income from technical interest</b>                                  | <b>-281</b>  | <b>-285</b>  | <b>-683</b>       | <b>-371</b>  | <b>-1,751</b>     | <b>-1,260</b> |
| <b>10. Non-technical result (6-9)</b>  | <b>256</b>   | <b>223</b>   | <b>993</b>        | <b>1,135</b> | <b>236</b>        | <b>-163</b>   |
| <b>11. Operating result</b>  | <b>509</b>   | <b>339</b>   | <b>1,188</b>      | <b>1,617</b> | <b>196</b>        | <b>10</b>     |
| <b>12. Other non-operating result, finance costs and impairment losses of goodwill</b> | <b>-97</b>   | <b>-26</b>   | <b>-202</b>       | <b>-132</b>  | <b>-23</b>        | <b>-77</b>    |
| <b>13. Taxes on income</b>   | <b>103</b>   | <b>79</b>    | <b>238</b>        | <b>410</b>   | <b>42</b>         | <b>-10</b>    |
| <b>14. Consolidated result</b>   | <b>309</b>   | <b>234</b>   | <b>748</b>        | <b>1,075</b> | <b>131</b>        | <b>-57</b>    |
| Thereof:   |              |              |                   |              |                   |               |
| Attributable to Munich Reinsurance Company equity holders                              | 309          | 234          | 750               | 1,075        | 130               | -63           |
| Attributable to minority interests   | -            | -            | -2                | -            | 1                 | 6             |

Segment reporting

|              |              |                   |              | Munich Health |              | Asset management |           | Consolidation |             | Total         |               |
|--------------|--------------|-------------------|--------------|---------------|--------------|------------------|-----------|---------------|-------------|---------------|---------------|
| Health       |              | Property-casualty |              | Q1-2          | Q1-2         | Q1-2             | Q1-2      | Q1-2          | Q1-2        | Q1-2          | Q1-2          |
| 2010         | 2009         | 2010              | 2009         | 2010          | 2009         | 2010             | 2009      | 2010          | 2009        | 2010          | 2009          |
| <b>2,760</b> | <b>2,613</b> | <b>2,983</b>      | <b>2,775</b> | <b>2,555</b>  | <b>1,821</b> | -                | -         | <b>-375</b>   | <b>-456</b> | <b>22,613</b> | <b>20,693</b> |
| 4            | 5            | 22                | 7            | 87            | 99           | -                | -         | -375          | -456        | -             | -             |
| 2,756        | 2,608        | 2,961             | 2,768        | 2,468         | 1,722        | -                | -         | -             | -           | 22,613        | 20,693        |
| 2,707        | 2,567        | 2,616             | 2,456        | 2,469         | 1,779        | -                | -         | -339          | -423        | 21,958        | 19,894        |
| 112          | 103          | 255               | 238          | 16            | 27           | -                | -         | -339          | -423        | 880           | 765           |
| 2,595        | 2,464        | 2,361             | 2,218        | 2,453         | 1,752        | -                | -         | -             | -           | 21,078        | 19,129        |
| 687          | 605          | 85                | 81           | 46            | 40           | -                | -         | -45           | -158        | 3,488         | 2,484         |
| 2,860        | 2,629        | 1,725             | 1,552        | 2,005         | 1,463        | -                | -         | -272          | -319        | 19,118        | 16,310        |
| 79           | 80           | 178               | 137          | 9             | 1            | -                | -         | -235          | -242        | 566           | 296           |
| 2,781        | 2,549        | 1,547             | 1,415        | 1,996         | 1,462        | -                | -         | -37           | -77         | 18,552        | 16,014        |
| 349          | 367          | 840               | 780          | 489           | 302          | -                | -         | -49           | -118        | 5,562         | 4,744         |
| 27           | 16           | 57                | 52           | 3             | 3            | -                | -         | -84           | -146        | 225           | 163           |
| 322          | 351          | 783               | 728          | 486           | 299          | -                | -         | 35            | 28          | 5,337         | 4,581         |
| 3            | 3            | -                 | -            | -             | -            | -                | -         | -             | -           | 23            | 38            |
| <b>179</b>   | <b>169</b>   | <b>116</b>        | <b>156</b>   | <b>17</b>     | <b>31</b>    | -                | -         | <b>-43</b>    | <b>-109</b> | <b>677</b>    | <b>1,018</b>  |
| 860          | 775          | 548               | 333          | 105           | 83           | 12               | 11        | -275          | -367        | 7,230         | 7,043         |
| 237          | 234          | 144               | 167          | 16            | 20           | -                | 5         | -35           | -62         | 2,152         | 3,488         |
| 623          | 541          | 404               | 166          | 89            | 63           | 12               | 6         | -240          | -305        | 5,078         | 3,555         |
| 585          | 544          | 181               | 174          | 61            | 76           | 3                | 4         | -83           | -169        | 3,470         | 3,370         |
| 5            | 9            | 6                 | 5            | 1             | 2            | -                | -         | -2            | -2          | 75            | 101           |
| 33           | 56           | 32                | 77           | 5             | 7            | -                | 4         | -             | -           | 680           | 1,488         |
| 53           | 23           | 21                | 21           | 13            | 6            | -                | -         | -             | -           | 984           | 821           |
| -2           | 9            | -                 | -18          | 8             | -            | 3                | 4         | -             | -           | 33            | -29           |
| 63           | 41           | 447               | 206          | 38            | 37           | 129              | 124       | -739          | -493        | 347           | 325           |
| 5            | 2            | 1                 | 2            | 5             | 3            | 2                | 1         | -3            | -4          | 51            | 37            |
| -            | -            | -                 | -            | -             | -            | -                | -         | -             | -           | 4             | -             |
| 98           | 54           | 531               | 273          | 38            | 35           | 92               | 101       | -762          | -541        | 396           | 305           |
| 22           | 5            | 49                | 61           | 3             | 6            | 5                | 4         | -28           | -45         | 68            | 56            |
| 5            | 1            | 10                | 9            | 5             | 3            | -                | -         | -             | -           | 41            | 32            |
| -687         | -605         | -85               | -81          | -46           | -40          | -                | -         | 45            | 158         | -3,488        | -2,484        |
| <b>-99</b>   | <b>-77</b>   | <b>235</b>        | <b>18</b>    | <b>43</b>     | <b>25</b>    | <b>49</b>        | <b>29</b> | <b>-172</b>   | <b>-99</b>  | <b>1,541</b>  | <b>1,091</b>  |
| <b>80</b>    | <b>92</b>    | <b>351</b>        | <b>174</b>   | <b>60</b>     | <b>56</b>    | <b>49</b>        | <b>29</b> | <b>-215</b>   | <b>-208</b> | <b>2,218</b>  | <b>2,109</b>  |
| -31          | -32          | -195              | -96          | -38           | -67          | -4               | -3        | 11            | 26          | -579          | -407          |
| -            | 52           | 43                | 28           | 6             | -3           | 14               | 10        | -1            | 2           | 445           | 568           |
| <b>49</b>    | <b>8</b>     | <b>113</b>        | <b>50</b>    | <b>16</b>     | <b>-8</b>    | <b>31</b>        | <b>16</b> | <b>-203</b>   | <b>-184</b> | <b>1,194</b>  | <b>1,134</b>  |
| 49           | 3            | 108               | 48           | 17            | -5           | 31               | 16        | -203          | -190        | 1,191         | 1,118         |
| -            | 5            | 5                 | 2            | -1            | -3           | -                | -         | -             | 6           | 3             | 16            |

## Segment reporting

| Segment income statement 1.4.-30.6.2010<br>€m  | Reinsurance  |              |                   |              | Primary insurance |              |
|--|--------------|--------------|-------------------|--------------|-------------------|--------------|
|  | Life         |              | Property-casualty |              | Life              |              |
|  | Q2<br>2010   | Q2<br>2009   | Q2<br>2010        | Q2<br>2009   | Q2<br>2010        | Q2<br>2009   |
| <b>Gross premiums written</b>  | <b>2,048</b> | <b>1,731</b> | <b>3,591</b>      | <b>3,774</b> | <b>1,554</b>      | <b>1,523</b> |
| Thereof:   |              |              |                   |              |                   |              |
| From insurance transactions with other segments  | 31           | 66           | 60                | 58           | -                 | -            |
| From insurance transactions with external third parties                                | 2,017        | 1,665        | 3,531             | 3,716        | 1,554             | 1,523        |
| <b>1. Earned premiums</b>  |              |              |                   |              |                   |              |
| Gross  | 2,117        | 1,738        | 3,845             | 3,836        | 1,556             | 1,524        |
| Ceded  | 85           | 97           | 253               | 200          | 65                | 98           |
| Net  | 2,032        | 1,641        | 3,592             | 3,636        | 1,491             | 1,426        |
| <b>2. Income from technical interest</b>   | <b>134</b>   | <b>133</b>   | <b>351</b>        | <b>176</b>   | <b>808</b>        | <b>749</b>   |
| <b>3. Expenses for claims and benefits</b>   |              |              |                   |              |                   |              |
| Gross  | 1,403        | 1,267        | 2,857             | 2,731        | 2,037             | 1,932        |
| Ceded share  | 51           | 35           | 257               | 47           | 23                | 46           |
| Net  | 1,352        | 1,232        | 2,600             | 2,684        | 2,014             | 1,886        |
| <b>4. Operating expenses</b>   |              |              |                   |              |                   |              |
| Gross  | 683          | 514          | 1,204             | 940          | 277               | 260          |
| Ceded share  | 15           | 35           | 55                | 27           | 14                | 34           |
| Net  | 668          | 479          | 1,149             | 913          | 263               | 226          |
| Thereof:   |              |              |                   |              |                   |              |
| Amortisation and impairment losses of acquired insurance portfolios                    | 4            | -1           | -                 | 3            | 7                 | 11           |
| <b>5. Technical result (1-4)</b>   | <b>146</b>   | <b>63</b>    | <b>194</b>        | <b>215</b>   | <b>22</b>         | <b>63</b>    |
| <b>6. Investment result</b>  |              |              |                   |              |                   |              |
| Investment income  | 543          | 387          | 1,483             | 1,371        | 1,166             | 1,172        |
| Investment expenses  | 290          | 118          | 514               | 553          | 187               | 441          |
| Total  | 253          | 269          | 969               | 818          | 979               | 731          |
| Thereof:   |              |              |                   |              |                   |              |
| Interest and similar income  | 169          | 167          | 447               | 468          | 730               | 768          |
| Interest charges and similar expenses  | 4            | 3            | 24                | 25           | 7                 | 16           |
| Write-downs of investments   | 141          | 27           | 147               | 181          | 14                | 270          |
| Write-ups of investments   | 71           | 102          | 361               | 208          | 243               | 73           |
| Income from associates   | -            | -            | 1                 | 1            | 6                 | 1            |
| <b>7. Other operating income</b>   | <b>17</b>    | <b>9</b>     | <b>71</b>         | <b>104</b>   | <b>97</b>         | <b>119</b>   |
| Thereof:   |              |              |                   |              |                   |              |
| Interest and similar income  | 2            | 1            | 7                 | 8            | 1                 | 2            |
| Write-ups of other operating assets  | 1            | -            | 3                 | -            | -                 | -            |
| <b>8. Other operating expenses</b>   | <b>16</b>    | <b>15</b>    | <b>57</b>         | <b>55</b>    | <b>118</b>        | <b>129</b>   |
| Thereof:   |              |              |                   |              |                   |              |
| Interest charges and similar expenses  | 2            | 3            | 5                 | 7            | 3                 | 2            |
| Write-downs of other operating assets  | 1            | 1            | 4                 | 3            | 9                 | 2            |
| <b>9. Deduction of income from technical interest</b>                                  | <b>-134</b>  | <b>-133</b>  | <b>-351</b>       | <b>-176</b>  | <b>-808</b>       | <b>-749</b>  |
| <b>10. Non-technical result (6-9)</b>  | <b>120</b>   | <b>130</b>   | <b>632</b>        | <b>691</b>   | <b>150</b>        | <b>-28</b>   |
| <b>11. Operating result</b>  | <b>266</b>   | <b>193</b>   | <b>826</b>        | <b>906</b>   | <b>172</b>        | <b>35</b>    |
| <b>12. Other non-operating result, finance costs and impairment losses of goodwill</b> | <b>-53</b>   | <b>-34</b>   | <b>-105</b>       | <b>-163</b>  | <b>-11</b>        | <b>-31</b>   |
| <b>13. Taxes on income</b>   | <b>106</b>   | <b>45</b>    | <b>195</b>        | <b>226</b>   | <b>45</b>         | <b>-10</b>   |
| <b>14. Consolidated result</b>   | <b>107</b>   | <b>114</b>   | <b>526</b>        | <b>517</b>   | <b>116</b>        | <b>14</b>    |
| Thereof:   |              |              |                   |              |                   |              |
| Attributable to Munich Reinsurance Company equity holders                              | 107          | 114          | 527               | 517          | 116               | 1            |
| Attributable to minority interests   | -            | -            | -1                | -            | -                 | 13           |



Segment reporting

|              |              |                   |              | Munich Health |              | Asset management |           | Consolidation |             | Total         |               |
|--------------|--------------|-------------------|--------------|---------------|--------------|------------------|-----------|---------------|-------------|---------------|---------------|
| Health       |              | Property-casualty |              | Q2            | Q2           | Q2               | Q2        | Q2            | Q2          | Q2            | Q2            |
| 2010         | 2009         | 2010              | 2009         | 2010          | 2009         | 2010             | 2009      | 2010          | 2009        | 2010          | 2009          |
| <b>1,346</b> | <b>1,275</b> | <b>1,252</b>      | <b>1,153</b> | <b>1,303</b>  | <b>1,052</b> | -                | -         | <b>-138</b>   | <b>-182</b> | <b>10,956</b> | <b>10,326</b> |
| 4            | 3            | 9                 | 3            | 34            | 52           | -                | -         | -138          | -182        | -             | -             |
| 1,342        | 1,272        | 1,243             | 1,150        | 1,269         | 1,000        | -                | -         | -             | -           | 10,956        | 10,326        |
| 1,362        | 1,291        | 1,335             | 1,244        | 1,286         | 1,074        | -                | -         | -153          | -199        | 11,348        | 10,508        |
| 45           | 52           | 120               | 111          | 8             | 17           | -                | -         | -153          | -199        | 423           | 376           |
| <b>1,317</b> | <b>1,239</b> | <b>1,215</b>      | <b>1,133</b> | <b>1,278</b>  | <b>1,057</b> | -                | -         | -             | -           | <b>10,925</b> | <b>10,132</b> |
| 326          | 314          | 42                | 37           | 22            | 20           | -                | -         | -22           | -95         | 1,661         | 1,334         |
| 1,423        | 1,330        | 852               | 793          | 1,033         | 854          | -                | -         | -129          | -135        | 9,476         | 8,772         |
| 26           | 35           | 73                | 64           | 5             | -4           | -                | -         | -117          | -110        | 318           | 113           |
| <b>1,397</b> | <b>1,295</b> | <b>779</b>        | <b>729</b>   | <b>1,028</b>  | <b>858</b>   | -                | -         | <b>-12</b>    | <b>-25</b>  | <b>9,158</b>  | <b>8,659</b>  |
| 171          | 168          | 421               | 383          | 252           | 194          | -                | -         | -31           | -51         | 2,977         | 2,408         |
| 17           | 12           | 33                | 31           | 2             | 1            | -                | -         | -48           | -61         | 88            | 79            |
| 154          | 156          | 388               | 352          | 250           | 193          | -                | -         | 17            | 10          | 2,889         | 2,329         |
| 2            | 2            | -                 | -            | -             | -            | -                | -         | -             | -           | 13            | 15            |
| <b>92</b>    | <b>102</b>   | <b>90</b>         | <b>89</b>    | <b>22</b>     | <b>26</b>    | -                | -         | <b>-27</b>    | <b>-80</b>  | <b>539</b>    | <b>478</b>    |
| 470          | 392          | 247               | 158          | 64            | 43           | 6                | 7         | -123          | -78         | 3,856         | 3,452         |
| 167          | 122          | 91                | 56           | 8             | 4            | -                | 4         | -19           | -34         | 1,238         | 1,264         |
| <b>303</b>   | <b>270</b>   | <b>156</b>        | <b>102</b>   | <b>56</b>     | <b>39</b>    | <b>6</b>         | <b>3</b>  | <b>-104</b>   | <b>-44</b>  | <b>2,618</b>  | <b>2,188</b>  |
| 301          | 280          | 94                | 88           | 31            | 38           | 1                | 2         | -37           | -73         | 1,736         | 1,738         |
| 3            | 4            | 4                 | 2            | 1             | 1            | -                | -         | -1            | -1          | 42            | 50            |
| 15           | 25           | 23                | 18           | 2             | 2            | -                | 4         | -             | -           | 342           | 527           |
| 41           | 7            | 12                | 9            | 11            | 4            | -                | -         | -             | -           | 739           | 403           |
| -            | 1            | 1                 | 11           | 8             | -            | 3                | 4         | -             | -           | 19            | 18            |
| <b>32</b>    | <b>18</b>    | <b>226</b>        | <b>104</b>   | <b>21</b>     | <b>26</b>    | <b>69</b>        | <b>65</b> | <b>-367</b>   | <b>-240</b> | <b>166</b>    | <b>205</b>    |
| 5            | 1            | -                 | 1            | 1             | 1            | 1                | 1         | -1            | -2          | 16            | 13            |
| -            | -            | -                 | -            | -             | -            | -                | -         | -             | -           | 4             | -             |
| 55           | 26           | 272               | 130          | 21            | 18           | 49               | 55        | -374          | -264        | 214           | 164           |
| 19           | -            | 23                | 26           | 1             | 3            | 2                | 1         | -13           | -21         | 42            | 21            |
| 2            | -            | 4                 | 5            | 3             | 1            | -                | -         | -             | -           | 23            | 12            |
| <b>-326</b>  | <b>-314</b>  | <b>-42</b>        | <b>-37</b>   | <b>-22</b>    | <b>-20</b>   | -                | -         | <b>22</b>     | <b>95</b>   | <b>-1,661</b> | <b>-1,334</b> |
| <b>-46</b>   | <b>-52</b>   | <b>68</b>         | <b>39</b>    | <b>34</b>     | <b>27</b>    | <b>26</b>        | <b>13</b> | <b>-75</b>    | <b>75</b>   | <b>909</b>    | <b>895</b>    |
| <b>46</b>    | <b>50</b>    | <b>158</b>        | <b>128</b>   | <b>56</b>     | <b>53</b>    | <b>26</b>        | <b>13</b> | <b>-102</b>   | <b>-5</b>   | <b>1,448</b>  | <b>1,373</b>  |
| -24          | -7           | -155              | -69          | -23           | -66          | -                | -1        | 4             | 7           | -367          | -364          |
| -10          | 38           | 23                | 18           | 6             | -9           | 7                | 4         | -             | -           | 372           | 312           |
| <b>32</b>    | <b>5</b>     | <b>-20</b>        | <b>41</b>    | <b>27</b>     | <b>-4</b>    | <b>19</b>        | <b>8</b>  | <b>-98</b>    | <b>2</b>    | <b>709</b>    | <b>697</b>    |
| 32           | 2            | -21               | 38           | 27            | -2           | 19               | 8         | -98           | 7           | 709           | 685           |
| -            | 3            | 1                 | 3            | -             | -2           | -                | -         | -             | -5          | -             | 12            |

## Segment reporting

| <b>Non-current assets by country<sup>1</sup></b> | <b>30.6.2010</b> | <b>31.12.2009</b> |
|--|------------------|-------------------|
| €m   |                  |                   |
| Germany  | 7,664            | 7,759             |
| USA  | 2,269            | 1,987             |
| Austria  | 467              | 471               |
| UK   | 312              | 185               |
| Singapore  | 255              | 219               |
| Spain  | 230              | 235               |
| Sweden   | 224              | 195               |
| Netherlands                                      | 178              | 182               |
| France   | 161              | 162               |
| Portugal   | 113              | 118               |
| Switzerland                                      | 110              | 71                |
| Poland   | 104              | 102               |
| Italy  | 79               | 80                |
| Greece   | 55               | 56                |
| Others   | 310              | 400               |
| <b>Total</b>                                     | <b>12,531</b>    | <b>12,222</b>     |

<sup>1</sup> The non-current assets mainly comprise intangible assets (especially goodwill) and our owner-occupied and investment property.

| <b>Gross premiums written<sup>1</sup></b> | <b>Reinsurance</b> |                  | <b>Primary insurance</b> |                  | <b>Munich Health</b> |                  | <b>Total</b>     |                  |
|---|--------------------|------------------|--------------------------|------------------|----------------------|------------------|------------------|------------------|
|   | <b>Q1-2 2010</b>   | <b>Q1-2 2009</b> | <b>Q1-2 2010</b>         | <b>Q1-2 2009</b> | <b>Q1-2 2010</b>     | <b>Q1-2 2009</b> | <b>Q1-2 2010</b> | <b>Q1-2 2009</b> |
| €m  |                    |                  |                          |                  |                      |                  |                  |                  |
| Europe                                    | 4,179              | 4,504            | 8,754                    | 8,344            | 848                  | 640              | 13,781           | 13,488           |
| North America                             | 4,653              | 4,060            | -                        | -                | 1,309                | 895              | 5,962            | 4,955            |
| Asia and Australasia                      | 1,588              | 1,135            | 86                       | 63               | 187                  | 52               | 1,861            | 1,250            |
| Africa, Near and Middle East              | 374                | 359              | -                        | -                | 120                  | 129              | 494              | 488              |
| Latin America                             | 511                | 506              | -                        | -                | 4                    | 6                | 515              | 512              |
| <b>Total</b>                              | <b>11,305</b>      | <b>10,564</b>    | <b>8,840</b>             | <b>8,407</b>     | <b>2,468</b>         | <b>1,722</b>     | <b>22,613</b>    | <b>20,693</b>    |

<sup>1</sup> After elimination of intra-Group reinsurance across segments.

| <b>Gross premiums written<sup>1</sup></b> | <b>Reinsurance</b> |                | <b>Primary insurance</b> |                | <b>Munich Health</b> |                | <b>Total</b>   |                |
|---|--------------------|----------------|--------------------------|----------------|----------------------|----------------|----------------|----------------|
|   | <b>Q2 2010</b>     | <b>Q2 2009</b> | <b>Q2 2010</b>           | <b>Q2 2009</b> | <b>Q2 2010</b>       | <b>Q2 2009</b> | <b>Q2 2010</b> | <b>Q2 2009</b> |
| €m  |                    |                |                          |                |                      |                |                |                |
| Europe                                    | 1,841              | 1,945          | 4,095                    | 3,915          | 396                  | 319            | 6,332          | 6,179          |
| North America                             | 2,340              | 2,336          | -                        | -              | 697                  | 612            | 3,037          | 2,948          |
| Asia and Australasia                      | 918                | 620            | 44                       | 30             | 103                  | 27             | 1,065          | 677            |
| Africa, Near and Middle East              | 176                | 209            | -                        | -              | 71                   | 39             | 247            | 248            |
| Latin America                             | 273                | 271            | -                        | -              | 2                    | 3              | 275            | 274            |
| <b>Total</b>                              | <b>5,548</b>       | <b>5,381</b>   | <b>4,139</b>             | <b>3,945</b>   | <b>1,269</b>         | <b>1,000</b>   | <b>10,956</b>  | <b>10,326</b>  |

<sup>1</sup> After elimination of intra-Group reinsurance across segments.

### Notes to the consolidated balance sheet

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

| <b>Intangible assets</b>           |              |              |
|------------------------------------|--------------|--------------|
| €m                                 | 30.6.2010    | 31.12.2009   |
| <b>I. Goodwill</b>                 | <b>3,602</b> | <b>3,477</b> |
| <b>II. Other intangible assets</b> | <b>1,736</b> | <b>1,718</b> |
| Thereof:                           |              |              |
| Software                           | 372          | 349          |
| Purchased insurance portfolios     | 635          | 650          |
| Other                              | 729          | 719          |
| <b>Total</b>                       | <b>5,338</b> | <b>5,195</b> |

Owing to the current economic trend in local insurance activities, the goodwill resulting from the acquisition of our stake in ERGO SIGORTA A.S., Istanbul, was subjected to an impairment test. The goodwill of €109m has consequently been completely written off.

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

| <b>Number of shares in circulation and number of own shares held</b> | 30.6.2010          | 31.12.2009         |
|--|--------------------|--------------------|
| Number of shares in circulation                                      | 185,366,784        | 191,910,177        |
| Number of own shares held  | 3,101,687          | 5,491,447          |
| <b>Total</b>   | <b>188,468,471</b> | <b>197,401,624</b> |

| <b>Minority interests</b>   |            |            |
|-----------------------------|------------|------------|
| €m                          | 30.6.2010  | 31.12.2009 |
| Unrealised gains and losses | 15         | 12         |
| Consolidated result         | 3          | 8          |
| Other equity                | 227        | 209        |
| <b>Total</b>                | <b>245</b> | <b>229</b> |

These are mainly minority interests in the ERGO Insurance Group.

| <b>Subordinated liabilities</b>  |              |              |
|--|--------------|--------------|
| €m   | 30.6.2010    | 31.12.2009   |
| Munich Reinsurance Company, Munich, 6.75% until 2013, thereafter floating, €2,900m<br>Bonds 2003/2023<br>S&P rating: A   | 2,884        | 2,883        |
| Munich Reinsurance Company, Munich, 7.625% until 2018, thereafter floating, £300m,<br>Bonds 2003/2028<br>S&P rating: A   | 364          | 335          |
| Munich Reinsurance Company, Munich, 5.767% until 2017, thereafter floating, €1,349m,<br>Bonds 2007/perpetual<br>S&P rating: A  | 1,553        | 1,475        |
| Bank Austria Creditanstalt Versicherung AG, Vienna, 4.95%, €50m,<br>Registered bonds 2004/2014<br>Rating: -  | 48           | 49           |
| Bank Austria Creditanstalt Versicherung AG, Vienna,<br>6% until 2010, thereafter floating, €12m <sup>1</sup> ,<br>Registered bonds 2001/perpetual<br>Rating: -                                   | 9            | 9            |
| Bank Austria Creditanstalt Versicherung AG, Vienna,<br>secondary market yield on federal government bonds<br>(Austria), +70 BP, €13m <sup>2</sup> , Registered bonds 1998/perpetual<br>Rating: - | 9            | 9            |
| HSB Group Inc., Delaware<br>LIBOR +91 BP, US\$ 76m,<br>Bonds 1997/2027<br>Rating: -  | 36           | 30           |
| <b>Total</b>   | <b>4,903</b> | <b>4,790</b> |

<sup>1</sup> ERGO International AG holds bonds with a nominal value of €3m; the volume outstanding has been reduced accordingly.

<sup>2</sup> ERGO AG holds bonds with a nominal value of €3m; the volume outstanding has been reduced accordingly.

| <b>Bonds and notes issued</b>  |            |            |
|--|------------|------------|
| €m   | 30.6.2010  | 31.12.2009 |
| Munich Re America Corporation, Princeton, 7.45%,<br>US\$ 392m, senior notes 1996/2026 <sup>1</sup><br>S&P rating: A- | 320        | 276        |
| <b>Total</b>   | <b>320</b> | <b>276</b> |

<sup>1</sup> In the first quarter of 2010, the issuer bought back notes with a nominal value of US\$ 5m.



## Notes to the consolidated income statement

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

| Premiums <sup>1</sup>             | Reinsurance  |              |                   |              |
|-----------------------------------|--------------|--------------|-------------------|--------------|
|                                   | Life         |              | Property-casualty |              |
|                                   | Q1-2 2010    | Q1-2 2009    | Q1-2 2010         | Q1-2 2009    |
| €m                                |              |              |                   |              |
| Gross premiums written            | 3,825        | 2,923        | 7,480             | 7,641        |
| Change in gross unearned premiums | -64          | -10          | 218               | 403          |
| <b>Gross earned premiums</b>      | <b>3,889</b> | <b>2,933</b> | <b>7,262</b>      | <b>7,238</b> |
| Ceded premiums written            | 213          | 159          | 512               | 432          |
| Change in unearned premiums       | -            | -            | 22                | 4            |
| Ceded share                       | -            | -            | -                 | -            |
| <b>Earned premiums ceded</b>      | <b>213</b>   | <b>159</b>   | <b>490</b>        | <b>428</b>   |
| <b>Net earned premiums</b>        | <b>3,676</b> | <b>2,774</b> | <b>6,772</b>      | <b>6,810</b> |

<sup>1</sup> After elimination of intra-Group transactions across segments.

| Premiums <sup>1</sup>             | Reinsurance  |              |                   |              |
|-----------------------------------|--------------|--------------|-------------------|--------------|
|                                   | Life         |              | Property-casualty |              |
|                                   | Q2 2010      | Q2 2009      | Q2 2010           | Q2 2009      |
| €m                                |              |              |                   |              |
| Gross premiums written            | 2,017        | 1,665        | 3,531             | 3,716        |
| Change in gross unearned premiums | -67          | -7           | -239              | -45          |
| <b>Gross earned premiums</b>      | <b>2,084</b> | <b>1,672</b> | <b>3,770</b>      | <b>3,761</b> |
| Ceded premiums written            | 85           | 97           | 232               | 177          |
| Change in unearned premiums       | -            | -            | -22               | -23          |
| Ceded share                       | -            | -            | -                 | -            |
| <b>Earned premiums ceded</b>      | <b>85</b>    | <b>97</b>    | <b>254</b>        | <b>200</b>   |
| <b>Net earned premiums</b>        | <b>1,999</b> | <b>1,575</b> | <b>3,516</b>      | <b>3,561</b> |

<sup>1</sup> After elimination of intra-Group transactions across segments.

| Income from technical interest <sup>1</sup> | Reinsurance |           |                   |           |
|---|-------------|-----------|-------------------|-----------|
|   | Life        |           | Property-casualty |           |
|   | Q1-2 2010   | Q1-2 2009 | Q1-2 2010         | Q1-2 2009 |
| €m  |             |           |                   |           |
| Income from technical interest              | 259         | 148       | 683               | 371       |

<sup>1</sup> After elimination of intra-Group transactions across segments.

| Income from technical interest <sup>1</sup> | Reinsurance |         |                   |         |
|---|-------------|---------|-------------------|---------|
|   | Life        |         | Property-casualty |         |
|   | Q2 2010     | Q2 2009 | Q2 2010           | Q2 2009 |
| €m  |             |         |                   |         |
| Income from technical interest              | 123         | 49      | 351               | 176     |

<sup>1</sup> After elimination of intra-Group transactions across segments.

Selected notes to the consolidated financial statements

| Primary insurance |              |              |              |                   |              | Munich Health |              | Total         |               |
|-------------------|--------------|--------------|--------------|-------------------|--------------|---------------|--------------|---------------|---------------|
| Life              |              | Health       |              | Property-casualty |              |               |              |               |               |
| Q1-2 2010         | Q1-2 2009    | Q1-2 2010    | Q1-2 2009    | Q1-2 2010         | Q1-2 2009    | Q1-2 2010     | Q1-2 2009    | Q1-2 2010     | Q1-2 2009     |
| 3,123             | 3,031        | 2,756        | 2,608        | 2,961             | 2,768        | 2,468         | 1,722        | 22,613        | 20,693        |
| -                 | -            | 52           | 45           | 364               | 317          | 85            | 44           | 655           | 799           |
| <b>3,123</b>      | <b>3,031</b> | <b>2,704</b> | <b>2,563</b> | <b>2,597</b>      | <b>2,451</b> | <b>2,383</b>  | <b>1,678</b> | <b>21,958</b> | <b>19,894</b> |
| 63                | 62           | 10           | 7            | 104               | 90           | 13            | 14           | 915           | 764           |
| -                 | -            | 2            | 1            | 11                | -6           | -             | -            | 35            | -1            |
| <b>63</b>         | <b>62</b>    | <b>8</b>     | <b>6</b>     | <b>93</b>         | <b>96</b>    | <b>13</b>     | <b>14</b>    | <b>880</b>    | <b>765</b>    |
| <b>3,060</b>      | <b>2,969</b> | <b>2,696</b> | <b>2,557</b> | <b>2,504</b>      | <b>2,355</b> | <b>2,370</b>  | <b>1,664</b> | <b>21,078</b> | <b>19,129</b> |

| Primary insurance |              |              |              |                   |              | Munich Health |              | Total         |               |
|-------------------|--------------|--------------|--------------|-------------------|--------------|---------------|--------------|---------------|---------------|
| Life              |              | Health       |              | Property-casualty |              |               |              |               |               |
| Q2 2010           | Q2 2009      | Q2 2010      | Q2 2009      | Q2 2010           | Q2 2009      | Q2 2010       | Q2 2009      | Q2 2010       | Q2 2009       |
| 1,554             | 1,523        | 1,342        | 1,272        | 1,243             | 1,150        | 1,269         | 1,000        | 10,956        | 10,326        |
| -1                | -            | -18          | -17          | -83               | -91          | 16            | -22          | -392          | -182          |
| <b>1,555</b>      | <b>1,523</b> | <b>1,360</b> | <b>1,289</b> | <b>1,326</b>      | <b>1,241</b> | <b>1,253</b>  | <b>1,022</b> | <b>11,348</b> | <b>10,508</b> |
| 31                | 30           | 3            | 4            | 51                | 45           | 5             | 7            | 407           | 360           |
| -                 | -            | -            | -            | 7                 | 7            | -1            | -            | -16           | -16           |
| <b>31</b>         | <b>30</b>    | <b>3</b>     | <b>4</b>     | <b>44</b>         | <b>38</b>    | <b>6</b>      | <b>7</b>     | <b>423</b>    | <b>376</b>    |
| <b>1,524</b>      | <b>1,493</b> | <b>1,357</b> | <b>1,285</b> | <b>1,282</b>      | <b>1,203</b> | <b>1,247</b>  | <b>1,015</b> | <b>10,925</b> | <b>10,132</b> |

| Primary insurance |           |           |           |                   |           | Munich Health |           | Total     |           |
|-------------------|-----------|-----------|-----------|-------------------|-----------|---------------|-----------|-----------|-----------|
| Life              |           | Health    |           | Property-casualty |           |               |           |           |           |
| Q1-2 2010         | Q1-2 2009 | Q1-2 2010 | Q1-2 2009 | Q1-2 2010         | Q1-2 2009 | Q1-2 2010     | Q1-2 2009 | Q1-2 2010 | Q1-2 2009 |
| 1,751             | 1,260     | 687       | 605       | 85                | 81        | 23            | 19        | 3,488     | 2,484     |

| Primary insurance |         |         |         |                   |         | Munich Health |         | Total   |         |
|-------------------|---------|---------|---------|-------------------|---------|---------------|---------|---------|---------|
| Life              |         | Health  |         | Property-casualty |         |               |         |         |         |
| Q2 2010           | Q2 2009 | Q2 2010 | Q2 2009 | Q2 2010           | Q2 2009 | Q2 2010       | Q2 2009 | Q2 2010 | Q2 2009 |
| 808               | 749     | 326     | 314     | 42                | 37      | 11            | 9       | 1,661   | 1,334   |

Selected notes to the consolidated financial statements

| Expenses for claims and benefits <sup>1</sup>         | Reinsurance  |              |                   |              |
|---|--------------|--------------|-------------------|--------------|
|   | Life         |              | Property-casualty |              |
|   | Q1-2 2010    | Q1-2 2009    | Q1-2 2010         | Q1-2 2009    |
| €m  |              |              |                   |              |
| <b>Gross</b>  |              |              |                   |              |
| Claims and benefits paid                              | 2,314        | 1,691        | 5,092             | 4,458        |
| <b>Change in technical provisions</b>                 |              |              |                   |              |
| Provision for future policy benefits                  | 271          | 199          | -8                | -1           |
| Provision for outstanding claims                      | 174          | 252          | 470               | 560          |
| Provision for premium refunds                         | -            | -            | 8                 | -2           |
| <b>Other technical result</b>                         | <b>-27</b>   | <b>26</b>    | <b>32</b>         | <b>15</b>    |
| <b>Gross expenses for claims and benefits</b>         | <b>2,732</b> | <b>2,168</b> | <b>5,594</b>      | <b>5,030</b> |
| <b>Ceded share</b>                                    |              |              |                   |              |
| Claims and benefits paid                              | 26           | 44           | 372               | 334          |
| <b>Change in technical provisions</b>                 |              |              |                   |              |
| Provision for future policy benefits                  | -36          | -3           | -                 | -            |
| Provision for outstanding claims                      | 120          | 31           | 12                | -168         |
| Provision for premium refunds                         | -            | -            | -                 | -            |
| <b>Other technical result</b>                         | <b>-11</b>   | <b>-2</b>    | <b>-6</b>         | <b>-12</b>   |
| <b>Expenses for claims and benefits - Ceded share</b> | <b>99</b>    | <b>70</b>    | <b>378</b>        | <b>154</b>   |
| <b>Net</b>  |              |              |                   |              |
| Claims and benefits paid                              | 2,288        | 1,647        | 4,720             | 4,124        |
| <b>Change in technical provisions</b>                 |              |              |                   |              |
| Provision for future policy benefits                  | 307          | 202          | -8                | -1           |
| Provision for outstanding claims                      | 54           | 221          | 458               | 728          |
| Provision for premium refunds                         | -            | -            | 8                 | -2           |
| <b>Other technical result</b>                         | <b>-16</b>   | <b>28</b>    | <b>38</b>         | <b>27</b>    |
| <b>Net expenses for claims and benefits</b>           | <b>2,633</b> | <b>2,098</b> | <b>5,216</b>      | <b>4,876</b> |

<sup>1</sup> After elimination of intra-Group transactions across segments.



Selected notes to the consolidated financial statements

| Primary insurance |           |           |           |                   |           | Munich Health |           | Total     |           |
|-------------------|-----------|-----------|-----------|-------------------|-----------|---------------|-----------|-----------|-----------|
| Life              |           | Health    |           | Property-casualty |           | Q1-2 2010     | Q1-2 2009 | Q1-2 2010 | Q1-2 2009 |
| Q1-2 2010         | Q1-2 2009 | Q1-2 2010 | Q1-2 2009 | Q1-2 2010         | Q1-2 2009 | Q1-2 2010     | Q1-2 2009 | Q1-2 2010 | Q1-2 2009 |
| 2,992             | 3,233     | 1,872     | 1,788     | 1,577             | 1,398     | 1,800         | 1,283     | 15,647    | 13,851    |
| 617               | 279       | 551       | 512       | 29                | 18        | 43            | 35        | 1,503     | 1,042     |
| -21               | 18        | 3         | 25        | 85                | 111       | 79            | 46        | 790       | 1,012     |
| 628               | -60       | 446       | 306       | 6                 | 6         | -3            | -2        | 1,085     | 248       |
| 79                | 93        | -3        | 2         | 18                | 20        | -6            | 1         | 93        | 157       |
| 4,295             | 3,563     | 2,869     | 2,633     | 1,715             | 1,553     | 1,913         | 1,363     | 19,118    | 16,310    |
| 49                | 43        | 3         | 1         | 50                | 45        | 28            | -8        | 528       | 459       |
| 6                 | 22        | -         | -1        | -                 | -         | -             | -         | -30       | 18        |
| -3                | -1        | 2         | 1         | 10                | 3         | -21           | 1         | 120       | -133      |
| 1                 | 1         | -         | -         | -                 | -         | -             | -         | 1         | 1         |
| -37               | -35       | -         | -         | 1                 | -         | -             | -         | -53       | -49       |
| 16                | 30        | 5         | 1         | 61                | 48        | 7             | -7        | 566       | 296       |
| 2,943             | 3,190     | 1,869     | 1,787     | 1,527             | 1,353     | 1,772         | 1,291     | 15,119    | 13,392    |
| 611               | 257       | 551       | 513       | 29                | 18        | 43            | 35        | 1,533     | 1,024     |
| -18               | 19        | 1         | 24        | 75                | 108       | 100           | 45        | 670       | 1,145     |
| 627               | -61       | 446       | 306       | 6                 | 6         | -3            | -2        | 1,084     | 247       |
| 116               | 128       | -3        | 2         | 17                | 20        | -6            | 1         | 146       | 206       |
| 4,279             | 3,533     | 2,864     | 2,632     | 1,654             | 1,505     | 1,906         | 1,370     | 18,552    | 16,014    |

Selected notes to the consolidated financial statements

| Expenses for claims and benefits <sup>1</sup>         | Reinsurance  |              |                   |              |
|---|--------------|--------------|-------------------|--------------|
|   | Life         |              | Property-casualty |              |
|   | Q2 2010      | Q2 2009      | Q2 2010           | Q2 2009      |
| €m  |              |              |                   |              |
| <b>Gross</b>  |              |              |                   |              |
| Claims and benefits paid                              | 1,232        | 992          | 2,912             | 2,297        |
| <b>Change in technical provisions</b>                 |              |              |                   |              |
| Provision for future policy benefits                  | 151          | 94           | -11               | -1           |
| Provision for outstanding claims                      | 45           | 97           | -128              | 382          |
| Provision for premium refunds                         | -            | -            | -2                | -            |
| <b>Other technical result</b>                         | <b>-54</b>   | <b>14</b>    | <b>15</b>         | <b>10</b>    |
| <b>Gross expenses for claims and benefits</b>         | <b>1,374</b> | <b>1,197</b> | <b>2,786</b>      | <b>2,688</b> |
| <b>Ceded share</b>                                    |              |              |                   |              |
| Claims and benefits paid                              | 57           | 47           | 191               | 126          |
| <b>Change in technical provisions</b>                 |              |              |                   |              |
| Provision for future policy benefits                  | -30          | -11          | -                 | -            |
| Provision for outstanding claims                      | 29           | -2           | 71                | -73          |
| Provision for premium refunds                         | -            | -            | -                 | -            |
| <b>Other technical result</b>                         | <b>-6</b>    | <b>-</b>     | <b>-5</b>         | <b>-16</b>   |
| <b>Expenses for claims and benefits - Ceded share</b> | <b>50</b>    | <b>34</b>    | <b>257</b>        | <b>37</b>    |
| <b>Net</b>  |              |              |                   |              |
| Claims and benefits paid                              | 1,175        | 945          | 2,721             | 2,171        |
| <b>Change in technical provisions</b>                 |              |              |                   |              |
| Provision for future policy benefits                  | 181          | 105          | -11               | -1           |
| Provision for outstanding claims                      | 16           | 99           | -199              | 455          |
| Provision for premium refunds                         | -            | -            | -2                | -            |
| <b>Other technical result</b>                         | <b>-48</b>   | <b>14</b>    | <b>20</b>         | <b>26</b>    |
| <b>Net expenses for claims and benefits</b>           | <b>1,324</b> | <b>1,163</b> | <b>2,529</b>      | <b>2,651</b> |

<sup>1</sup> After elimination of intra-Group transactions across segments.

Selected notes to the consolidated financial statements

| Primary insurance |              |              |              |                   |            | Munich Health |            | Total        |              |
|-------------------|--------------|--------------|--------------|-------------------|------------|---------------|------------|--------------|--------------|
| Life              |              | Health       |              | Property-casualty |            | Q2 2010       | Q2 2009    | Q2 2010      | Q2 2009      |
| Q2 2010           | Q2 2009      | Q2 2010      | Q2 2009      | Q2 2010           | Q2 2009    | Q2 2010       | Q2 2009    | Q2 2010      | Q2 2009      |
| 1,456             | 1,602        | 884          | 822          | 788               | 676        | 941           | 772        | 8,213        | 7,161        |
| 147               | 222          | 263          | 245          | 15                | 9          | 20            | 18         | 585          | 587          |
| 32                | 11           | 78           | 87           | 38                | 93         | 46            | 20         | 111          | 690          |
| 362               | 69           | 208          | 178          | 3                 | 2          | -2            | -1         | 569          | 248          |
| 41                | 48           | -1           | 2            | 2                 | 12         | -5            | -          | -2           | 86           |
| <b>2,038</b>      | <b>1,952</b> | <b>1,432</b> | <b>1,334</b> | <b>846</b>        | <b>792</b> | <b>1,000</b>  | <b>809</b> | <b>9,476</b> | <b>8,772</b> |
| 22                | 19           | 2            | -            | 25                | 20         | 23            | -13        | 320          | 199          |
| -2                | 10           | -            | -            | -                 | -          | -             | -          | -32          | -1           |
| 1                 | 1            | 2            | 1            | -25               | 10         | -19           | 1          | 59           | -62          |
| 1                 | 1            | -            | -            | -                 | -          | -             | -          | 1            | 1            |
| -19               | -18          | -            | -            | -                 | -1         | -             | 11         | -30          | -24          |
| <b>3</b>          | <b>13</b>    | <b>4</b>     | <b>1</b>     | -                 | <b>29</b>  | <b>4</b>      | <b>-1</b>  | <b>318</b>   | <b>113</b>   |
| 1,434             | 1,583        | 882          | 822          | 763               | 656        | 918           | 785        | 7,893        | 6,962        |
| 149               | 212          | 263          | 245          | 15                | 9          | 20            | 18         | 617          | 588          |
| 31                | 10           | 76           | 86           | 63                | 83         | 65            | 19         | 52           | 752          |
| 361               | 68           | 208          | 178          | 3                 | 2          | -2            | -1         | 568          | 247          |
| 60                | 66           | -1           | 2            | 2                 | 13         | -5            | -11        | 28           | 110          |
| <b>2,035</b>      | <b>1,939</b> | <b>1,428</b> | <b>1,333</b> | <b>846</b>        | <b>763</b> | <b>996</b>    | <b>810</b> | <b>9,158</b> | <b>8,659</b> |

## Selected notes to the consolidated financial statements

### Operating expenses<sup>1</sup>

| €m  |
|---|
| Acquisition costs   |
| Administration expenses   |
| Amortisation and impairment losses of acquired insurance portfolios |
| Reinsurance commission and profit commission                        |
| <b>Gross operating expenses</b>                                     |
| Ceded share of acquisition costs                                    |
| Commission received on ceded business                               |
| <b>Operating expenses - Ceded share</b>                             |

### Net operating expenses

<sup>1</sup> After elimination of intra-Group transactions across segments.

| Reinsurance  |            | Property-casualty |              |
|--------------|------------|-------------------|--------------|
| Life         |            |                   |              |
| Q1-2 2010    | Q1-2 2009  | Q1-2 2010         | Q1-2 2009    |
| -119         | 9          | 261               | 134          |
| 135          | 114        | 514               | 463          |
| 6            | 1          | -                 | 3            |
| 1,115        | 705        | 1,395             | 1,313        |
| <b>1,137</b> | <b>829</b> | <b>2,170</b>      | <b>1,913</b> |
| -6           | 1          | 16                | -9           |
| 86           | 52         | 102               | 97           |
| <b>80</b>    | <b>53</b>  | <b>118</b>        | <b>88</b>    |
| <b>1,057</b> | <b>776</b> | <b>2,052</b>      | <b>1,825</b> |

### Operating expenses<sup>1</sup>

| €m  |
|---|
| Acquisition costs   |
| Administration expenses   |
| Amortisation and impairment losses of acquired insurance portfolios |
| Reinsurance commission and profit commission                        |
| <b>Gross operating expenses</b>                                     |
| Ceded share of acquisition costs                                    |
| Commission received on ceded business                               |
| <b>Operating expenses - Ceded share</b>                             |

### Net operating expenses

<sup>1</sup> After elimination of intra-Group transactions across segments.

| Reinsurance |            | Property-casualty |            |
|-------------|------------|-------------------|------------|
| Life        |            |                   |            |
| Q2 2010     | Q2 2009    | Q2 2010           | Q2 2009    |
| -116        | -          | 220               | 113        |
| 72          | 55         | 260               | 234        |
| 4           | -1         | -                 | 3          |
| 717         | 431        | 703               | 566        |
| <b>677</b>  | <b>485</b> | <b>1,183</b>      | <b>916</b> |
| -6          | -          | 9                 | -23        |
| 22          | 34         | 47                | 51         |
| <b>16</b>   | <b>34</b>  | <b>56</b>         | <b>28</b>  |
| <b>661</b>  | <b>451</b> | <b>1,127</b>      | <b>888</b> |

Selected notes to the consolidated financial statements

| Primary insurance |            |            |            |                   |            | Munich Health |            | Total        |              |
|-------------------|------------|------------|------------|-------------------|------------|---------------|------------|--------------|--------------|
| Life              |            | Health     |            | Property-casualty |            |               |            |              |              |
| Q1-2 2010         | Q1-2 2009  | Q1-2 2010  | Q1-2 2009  | Q1-2 2010         | Q1-2 2009  | Q1-2 2010     | Q1-2 2009  | Q1-2 2010    | Q1-2 2009    |
| 439               | 379        | 281        | 288        | 515               | 467        | 57            | 74         | 1,434        | 1,351        |
| 125               | 131        | 81         | 84         | 322               | 312        | 67            | 62         | 1,244        | 1,166        |
| 14                | 30         | 3          | 3          | -                 | -          | -             | -          | 23           | 37           |
| -                 | 9          | 2          | 6          | 3                 | 2          | 346           | 155        | 2,861        | 2,190        |
| <b>578</b>        | <b>549</b> | <b>367</b> | <b>381</b> | <b>840</b>        | <b>781</b> | <b>470</b>    | <b>291</b> | <b>5,562</b> | <b>4,744</b> |
| 1                 | -          | -          | -          | 1                 | -1         | -             | -          | 12           | -9           |
| 9                 | 9          | 2          | 2          | 16                | 14         | -2            | -2         | 213          | 172          |
| <b>10</b>         | <b>9</b>   | <b>2</b>   | <b>2</b>   | <b>17</b>         | <b>13</b>  | <b>-2</b>     | <b>-2</b>  | <b>225</b>   | <b>163</b>   |
| <b>568</b>        | <b>540</b> | <b>365</b> | <b>379</b> | <b>823</b>        | <b>768</b> | <b>472</b>    | <b>293</b> | <b>5,337</b> | <b>4,581</b> |

| Primary insurance |            |            |            |                   |            | Munich Health |            | Total        |              |
|-------------------|------------|------------|------------|-------------------|------------|---------------|------------|--------------|--------------|
| Life              |            | Health     |            | Property-casualty |            |               |            |              |              |
| Q2 2010           | Q2 2009    | Q2 2010    | Q2 2009    | Q2 2010           | Q2 2009    | Q2 2010       | Q2 2009    | Q2 2010      | Q2 2009      |
| 210               | 189        | 139        | 131        | 268               | 234        | 25            | 50         | 746          | 717          |
| 61                | 66         | 39         | 39         | 152               | 148        | 34            | 30         | 618          | 572          |
| 7                 | 10         | 2          | 2          | -                 | -          | -             | -          | 13           | 14           |
| -                 | -          | -1         | 4          | 2                 | -          | 179           | 104        | 1,600        | 1,105        |
| <b>278</b>        | <b>265</b> | <b>179</b> | <b>176</b> | <b>422</b>        | <b>382</b> | <b>238</b>    | <b>184</b> | <b>2,977</b> | <b>2,408</b> |
| 1                 | 1          | -          | -          | -2                | -2         | -             | -          | 2            | -24          |
| 4                 | 5          | -          | 1          | 14                | 13         | -1            | -1         | 86           | 103          |
| <b>5</b>          | <b>6</b>   | <b>-</b>   | <b>1</b>   | <b>12</b>         | <b>11</b>  | <b>-1</b>     | <b>-1</b>  | <b>88</b>    | <b>79</b>    |
| <b>273</b>        | <b>259</b> | <b>179</b> | <b>175</b> | <b>410</b>        | <b>371</b> | <b>239</b>    | <b>185</b> | <b>2,889</b> | <b>2,329</b> |

Selected notes to the consolidated financial statements

| Investment result by investment class and segment<br>(before deduction of technical interest) <sup>1</sup> | Reinsurance |            |                   |              | Primary insurance |              |
|--|-------------|------------|-------------------|--------------|-------------------|--------------|
|  | Life        |            | Property-casualty |              | Life              |              |
|  | Q1-2 2010   | Q1-2 2009  | Q1-2 2010         | Q1-2 2009    | Q1-2 2010         | Q1-2 2009    |
| €m   |             |            |                   |              |                   |              |
| Land and buildings, including buildings on third-party land  | 13          | 10         | 61                | 53           | 46                | 62           |
| Investments in affiliated companies  | -           | -          | 4                 | -1           | -2                | -7           |
| Investments in associates  | 3           | -1         | 15                | -5           | 6                 | -18          |
| Loans  | 1           | 4          | 4                 | 19           | 714               | 606          |
| Other securities held to maturity  | -           | -          | -                 | -            | 2                 | 3            |
| Other securities available for sale  |             |            |                   |              |                   |              |
| Fixed-interest   | 331         | 222        | 1,278             | 1,034        | 846               | 811          |
| Non-fixed-interest   | 37          | 52         | 195               | 243          | 100               | -171         |
| Other securities at fair value through profit or loss  |             |            |                   |              |                   |              |
| Held for trading   |             |            |                   |              |                   |              |
| Fixed-interest   | -           | -          | 10                | 11           | 8                 | -            |
| Non-fixed-interest   | -           | -          | -                 | -            | -                 | -            |
| Derivatives  | 27          | 56         | 109               | 65           | 256               | -204         |
| Designated as at fair value through profit or loss   |             |            |                   |              |                   |              |
| Fixed-interest   | -           | -          | -                 | -            | 8                 | 10           |
| Non-fixed-interest   | -           | -          | -                 | -            | -1                | -            |
| Deposits retained on assumed reinsurance and other investments   | 96          | 76         | -18               | -32          | 25                | -6           |
| Investments for the benefit of life insurance policyholders who bear the investment risk                   | -           | -          | -                 | -            | 91                | 129          |
| Expenses for the management of investments, other expenses   | 16          | 16         | 79                | 83           | 68                | 76           |
| <b>Total</b>   | <b>492</b>  | <b>403</b> | <b>1,579</b>      | <b>1,304</b> | <b>2,031</b>      | <b>1,139</b> |

<sup>1</sup> After elimination of intra-Group transactions across segments.

Selected notes to the consolidated financial statements

|            |            |                   |            | Munich Health |           | Asset management |           | Total        |              |
|------------|------------|-------------------|------------|---------------|-----------|------------------|-----------|--------------|--------------|
| Health     |            | Property-casualty |            |               |           |                  |           |              |              |
| Q1-2 2010  | Q1-2 2009  | Q1-2 2010         | Q1-2 2009  | Q1-2 2010     | Q1-2 2009 | Q1-2 2010        | Q1-2 2009 | Q1-2 2010    | Q1-2 2009    |
| 22         | 18         | 13                | 13         | 1             | 1         | 1                | 3         | 157          | 160          |
| -2         | -6         | 40                | 4          | -             | -         | 4                | -         | 44           | -10          |
| -2         | 9          | -                 | -18        | 8             | -         | 3                | 4         | 33           | -29          |
| 318        | 276        | 58                | 47         | -             | -         | -                | -         | 1,095        | 952          |
| -          | -          | -                 | -          | -             | -         | -                | -         | 2            | 3            |
| 294        | 239        | 147               | 103        | 44            | 33        | 1                | 3         | 2,941        | 2,445        |
| 39         | 16         | 33                | -21        | 6             | 8         | -                | -4        | 410          | 123          |
| -          | -          | -                 | -          | -             | -         | -                | -         | -            | -            |
| -          | -          | -                 | -          | -             | -         | -                | -         | 18           | 11           |
| -          | -          | -                 | -          | -             | -         | -                | -         | -            | -            |
| -29        | 6          | 3                 | 10         | 10            | -1        | -                | -         | 376          | -68          |
| -          | -          | -                 | -          | -             | -         | -                | -         | 8            | 10           |
| -          | -          | -                 | -          | -             | -         | -                | -         | -1           | -            |
| 2          | -1         | -                 | 4          | -1            | -         | 2                | 1         | 106          | 42           |
| -          | -          | -                 | -          | -             | -         | -                | -         | 91           | 129          |
| 19         | 22         | 18                | 13         | 2             | 2         | -                | 1         | 202          | 213          |
| <b>623</b> | <b>535</b> | <b>276</b>        | <b>129</b> | <b>66</b>     | <b>39</b> | <b>11</b>        | <b>6</b>  | <b>5,078</b> | <b>3,555</b> |

Selected notes to the consolidated financial statements

| Investment result by investment class and segment<br>(before deduction of technical interest) <sup>1</sup> | Reinsurance |            |                   |            | Primary insurance |            |
|--|-------------|------------|-------------------|------------|-------------------|------------|
|  | Life        |            | Property-casualty |            | Life              |            |
|  | Q2 2010     | Q2 2009    | Q2 2010           | Q2 2009    | Q2 2010           | Q2 2009    |
| €m   |             |            |                   |            |                   |            |
| Land and buildings, including buildings on third-party land  | 11          | 3          | 49                | 15         | 24                | 35         |
| Investments in affiliated companies  | -           | -          | 1                 | -1         | -1                | -2         |
| Investments in associates  | -           | -          | 1                 | 1          | 6                 | 1          |
| Loans  | -           | 2          | 2                 | 12         | 359               | 313        |
| Other securities held to maturity  | -           | -          | -                 | -          | 1                 | 1          |
| Other securities available for sale  |             |            |                   |            |                   |            |
| Fixed-interest   | 142         | 143        | 537               | 772        | 390               | 459        |
| Non-fixed-interest   | 26          | 46         | 139               | 230        | 27                | 57         |
| Other securities at fair value through profit or loss  |             |            |                   |            |                   |            |
| Held for trading   |             |            |                   |            |                   |            |
| Fixed-interest   | -           | -          | 6                 | 7          | 7                 | -4         |
| Non-fixed-interest   | -           | -          | -                 | -          | -                 | -          |
| Derivatives  | 27          | 38         | 249               | -178       | 236               | -240       |
| Designated as at fair value through profit or loss   |             |            |                   |            |                   |            |
| Fixed-interest   | -           | -          | -                 | -          | 1                 | 8          |
| Non-fixed-interest   | -           | -          | -                 | -          | -1                | -          |
| Deposits retained on assumed reinsurance and other investments   | 38          | 24         | -5                | -17        | 21                | -4         |
| Investments for the benefit of life insurance policyholders who bear the investment risk                   | -           | -          | -                 | -          | -56               | 171        |
| Expenses for the management of investments, other expenses   | 9           | 8          | 41                | 40         | 37                | 44         |
| <b>Total</b>   | <b>235</b>  | <b>248</b> | <b>938</b>        | <b>801</b> | <b>977</b>        | <b>751</b> |

<sup>1</sup> After elimination of intra-Group transactions across segments.



Selected notes to the consolidated financial statements

|            |            |                   |           | Munich Health |           | Asset management |          | Total        |              |
|------------|------------|-------------------|-----------|---------------|-----------|------------------|----------|--------------|--------------|
| Health     |            | Property-casualty |           |               |           |                  |          |              |              |
| Q2 2010    | Q2 2009    | Q2 2010           | Q2 2009   | Q2 2010       | Q2 2009   | Q2 2010          | Q2 2009  | Q2 2010      | Q2 2009      |
| 12         | 8          | 7                 | 6         | 1             | 1         | -                | 2        | 104          | 70           |
| -1         | -1         | -                 | 3         | -             | -         | 1                | -        | -            | -1           |
| -          | 1          | 1                 | 11        | 8             | -         | 3                | 4        | 19           | 18           |
| 161        | 144        | 33                | 24        | -             | -         | -                | -        | 555          | 495          |
| -          | -          | -                 | -         | -             | -         | -                | -        | 1            | 1            |
| 138        | 122        | 60                | 59        | 21            | 20        | -                | 1        | 1,288        | 1,576        |
| 17         | 44         | 19                | 14        | 5             | 8         | -                | -4       | 233          | 395          |
| -          | -          | -                 | -         | -             | -         | -                | -        | -            | -            |
| -          | -          | -                 | -         | -             | -         | -                | -        | 13           | 3            |
| -          | -          | -                 | -         | -             | -         | -                | -        | -            | -            |
| -13        | -36        | 3                 | -17       | 12            | -3        | -                | -        | 514          | -436         |
| -          | -          | -                 | -         | -             | -         | -                | -        | 1            | 8            |
| -          | -          | -                 | -         | -             | -         | -                | -        | -1           | -            |
| -1         | -3         | -                 | -         | -1            | -         | 1                | -        | 53           | -            |
| -          | -          | -                 | -         | -             | -         | -                | -        | -56          | 171          |
| 10         | 13         | 7                 | 6         | 2             | 1         | -                | -        | 106          | 112          |
| <b>303</b> | <b>266</b> | <b>116</b>        | <b>94</b> | <b>44</b>     | <b>25</b> | <b>5</b>         | <b>3</b> | <b>2,618</b> | <b>2,188</b> |

**Selected notes to the consolidated financial statements**

| <b>Investment income by segment<br/>(before deduction of technical interest)<sup>1</sup></b> | <b>Reinsurance</b> |                  |                          |                  | <b>Primary insurance</b> |                  |
|--|--------------------|------------------|--------------------------|------------------|--------------------------|------------------|
|  | <b>Life</b>        |                  | <b>Property-casualty</b> |                  | <b>Life</b>              |                  |
|  | <b>Q1-2 2010</b>   | <b>Q1-2 2009</b> | <b>Q1-2 2010</b>         | <b>Q1-2 2009</b> | <b>Q1-2 2010</b>         | <b>Q1-2 2009</b> |
| €m   |                    |                  |                          |                  |                          |                  |
| <b>Regular income</b>  | <b>389</b>         | <b>325</b>       | <b>1,017</b>             | <b>973</b>       | <b>1,587</b>             | <b>1,626</b>     |
| Thereof:   |                    |                  |                          |                  |                          |                  |
| Income from interest   | 336                | 303              | 882                      | 867              | 1,464                    | 1,465            |
| <b>Income from write-ups</b>   | <b>234</b>         | <b>160</b>       | <b>343</b>               | <b>444</b>       | <b>320</b>               | <b>167</b>       |
| <b>Gains on the disposal of investments</b>  | <b>268</b>         | <b>247</b>       | <b>1,210</b>             | <b>1,379</b>     | <b>331</b>               | <b>448</b>       |
| <b>Other income</b>  | <b>-</b>           | <b>-</b>         | <b>-</b>                 | <b>-</b>         | <b>166</b>               | <b>145</b>       |
| <b>Total</b>   | <b>891</b>         | <b>732</b>       | <b>2,570</b>             | <b>2,796</b>     | <b>2,404</b>             | <b>2,386</b>     |

<sup>1</sup> After elimination of intra-Group transactions across segments.

| <b>Investment income by segment<br/>(before deduction of technical interest)<sup>1</sup></b> | <b>Reinsurance</b> |                |                          |                | <b>Primary insurance</b> |                |
|--|--------------------|----------------|--------------------------|----------------|--------------------------|----------------|
|  | <b>Life</b>        |                | <b>Property-casualty</b> |                | <b>Life</b>              |                |
|  | <b>Q2 2010</b>     | <b>Q2 2009</b> | <b>Q2 2010</b>           | <b>Q2 2009</b> | <b>Q2 2010</b>           | <b>Q2 2009</b> |
| €m   |                    |                |                          |                |                          |                |
| <b>Regular income</b>  | <b>190</b>         | <b>154</b>     | <b>530</b>               | <b>530</b>     | <b>807</b>               | <b>860</b>     |
| Thereof:   |                    |                |                          |                |                          |                |
| Income from interest   | 157                | 137            | 443                      | 464            | 732                      | 761            |
| <b>Income from write-ups</b>   | <b>187</b>         | <b>102</b>     | <b>245</b>               | <b>208</b>     | <b>243</b>               | <b>73</b>      |
| <b>Gains on the disposal of investments</b>  | <b>145</b>         | <b>110</b>     | <b>668</b>               | <b>610</b>     | <b>107</b>               | <b>107</b>     |
| <b>Other income</b>  | <b>-</b>           | <b>-</b>       | <b>-</b>                 | <b>-</b>       | <b>2</b>                 | <b>125</b>     |
| <b>Total</b>   | <b>522</b>         | <b>366</b>     | <b>1,443</b>             | <b>1,348</b>   | <b>1,159</b>             | <b>1,165</b>   |

<sup>1</sup> After elimination of intra-Group transactions across segments.

Selected notes to the consolidated financial statements

|            |            |                   |            | Munich Health |           | Asset management |           | Total        |              |
|------------|------------|-------------------|------------|---------------|-----------|------------------|-----------|--------------|--------------|
| Health     |            | Property-casualty |            |               |           |                  |           |              |              |
| Q1-2 2010  | Q1-2 2009  | Q1-2 2010         | Q1-2 2009  | Q1-2 2010     | Q1-2 2009 | Q1-2 2010        | Q1-2 2009 | Q1-2 2010    | Q1-2 2009    |
| 658        | 626        | 208               | 183        | 48            | 33        | 11               | 10        | 3,918        | 3,776        |
| 580        | 535        | 168               | 166        | 37            | 31        | 3                | 3         | 3,470        | 3,370        |
| 53         | 23         | 21                | 21         | 13            | 6         | -                | -         | 984          | 821          |
| 144        | 116        | 189               | 90         | 20            | 20        | -                | 1         | 2,162        | 2,301        |
| -          | -          | -                 | -          | -             | -         | -                | -         | 166          | 145          |
| <b>855</b> | <b>765</b> | <b>418</b>        | <b>294</b> | <b>81</b>     | <b>59</b> | <b>11</b>        | <b>11</b> | <b>7,230</b> | <b>7,043</b> |

|            |            |                   |            | Munich Health |           | Asset management |          | Total        |              |
|------------|------------|-------------------|------------|---------------|-----------|------------------|----------|--------------|--------------|
| Health     |            | Property-casualty |            |               |           |                  |          |              |              |
| Q2 2010    | Q2 2009    | Q2 2010           | Q2 2009    | Q2 2010       | Q2 2009   | Q2 2010          | Q2 2009  | Q2 2010      | Q2 2009      |
| 359        | 343        | 116               | 118        | 29            | 15        | 5                | 7        | 2,036        | 2,027        |
| 298        | 277        | 85                | 83         | 19            | 15        | 2                | 1        | 1,736        | 1,738        |
| 41         | 7          | 12                | 9          | 11            | 4         | -                | -        | 739          | 403          |
| 68         | 37         | 79                | 23         | 12            | 10        | -                | -        | 1,079        | 897          |
| -          | -          | -                 | -          | -             | -         | -                | -        | 2            | 125          |
| <b>468</b> | <b>387</b> | <b>207</b>        | <b>150</b> | <b>52</b>     | <b>29</b> | <b>5</b>         | <b>7</b> | <b>3,856</b> | <b>3,452</b> |

## Selected notes to the consolidated financial statements

| Investment expenses by segment<br>(before deduction of technical interest) <sup>1</sup> | Reinsurance |            |                   |              | Primary insurance |              |
|---|-------------|------------|-------------------|--------------|-------------------|--------------|
|   | Life        |            | Property-casualty |              | Life              |              |
|   | Q1-2 2010   | Q1-2 2009  | Q1-2 2010         | Q1-2 2009    | Q1-2 2010         | Q1-2 2009    |
| €m  |             |            |                   |              |                   |              |
| Write-downs of investments  | 240         | 145        | 262               | 539          | 108               | 660          |
| Losses on the disposal of investments   | 135         | 159        | 605               | 820          | 108               | 462          |
| Management expenses, interest charges<br>and other expenses                             | 24          | 25         | 124               | 133          | 157               | 125          |
| Thereof:  |             |            |                   |              |                   |              |
| Interest charges  | 8           | 12         | 44                | 44           | 12                | 31           |
| <b>Total</b>  | <b>399</b>  | <b>329</b> | <b>991</b>        | <b>1,492</b> | <b>373</b>        | <b>1,247</b> |

<sup>1</sup> After elimination of intra-Group transactions across segments.

| Investment expenses by segment<br>(before deduction of technical interest) <sup>1</sup> | Reinsurance |            |                   |            | Primary insurance |            |
|---|-------------|------------|-------------------|------------|-------------------|------------|
|   | Life        |            | Property-casualty |            | Life              |            |
|   | Q2 2010     | Q2 2009    | Q2 2010           | Q2 2009    | Q2 2010           | Q2 2009    |
| €m  |             |            |                   |            |                   |            |
| Write-downs of investments  | 198         | 27         | 91                | 181        | 13                | 270        |
| Losses on the disposal of investments   | 76          | 79         | 348               | 300        | 66                | 129        |
| Management expenses, interest charges<br>and other expenses                             | 13          | 12         | 66                | 66         | 103               | 15         |
| Thereof:  |             |            |                   |            |                   |            |
| Interest charges  | 4           | 3          | 24                | 25         | 7                 | 16         |
| <b>Total</b>  | <b>287</b>  | <b>118</b> | <b>505</b>        | <b>547</b> | <b>182</b>        | <b>414</b> |

<sup>1</sup> After elimination of intra-Group transactions across segments.

| Other operating result <sup>1</sup> | Reinsurance |           |                   |           | Primary insurance |           |
|-------------------------------------|-------------|-----------|-------------------|-----------|-------------------|-----------|
|                                     | Life        |           | Property-casualty |           | Life              |           |
|                                     | Q1-2 2010   | Q1-2 2009 | Q1-2 2010         | Q1-2 2009 | Q1-2 2010         | Q1-2 2009 |
| €m                                  |             |           |                   |           |                   |           |
| Other operating income              | 38          | 23        | 147               | 125       | 41                | 53        |
| Other operating expenses            | 29          | 25        | 102               | 74        | 63                | 60        |

<sup>1</sup> After elimination of intra-Group transactions across segments.

| Other operating result <sup>1</sup> | Reinsurance |         |                   |         | Primary insurance |         |
|-------------------------------------|-------------|---------|-------------------|---------|-------------------|---------|
|                                     | Life        |         | Property-casualty |         | Life              |         |
|                                     | Q2 2010     | Q2 2009 | Q2 2010           | Q2 2009 | Q2 2010           | Q2 2009 |
| €m                                  |             |         |                   |         |                   |         |
| Other operating income              | 17          | 4       | 65                | 104     | 19                | 24      |
| Other operating expenses            | 16          | 14      | 52                | 51      | 32                | 24      |

<sup>1</sup> After elimination of intra-Group transactions across segments.

Selected notes to the consolidated financial statements

|            |            |                   |            | Munich Health |           | Asset management |           | Total        |              |
|------------|------------|-------------------|------------|---------------|-----------|------------------|-----------|--------------|--------------|
| Health     |            | Property-casualty |            |               |           |                  |           |              |              |
| Q1-2 2010  | Q1-2 2009  | Q1-2 2010         | Q1-2 2009  | Q1-2 2010     | Q1-2 2009 | Q1-2 2010        | Q1-2 2009 | Q1-2 2010    | Q1-2 2009    |
| 33         | 56         | 32                | 77         | 5             | 7         | -                | 4         | 680          | 1,488        |
| 173        | 140        | 87                | 70         | 7             | 11        | -                | -         | 1,115        | 1,662        |
| 26         | 34         | 23                | 18         | 3             | 2         | -                | 1         | 357          | 338          |
| 5          | 9          | 5                 | 4          | 1             | 1         | -                | -         | 75           | 101          |
| <b>232</b> | <b>230</b> | <b>142</b>        | <b>165</b> | <b>15</b>     | <b>20</b> | <b>-</b>         | <b>5</b>  | <b>2,152</b> | <b>3,488</b> |

|            |            |                   |           | Munich Health |          | Asset management |          | Total        |              |
|------------|------------|-------------------|-----------|---------------|----------|------------------|----------|--------------|--------------|
| Health     |            | Property-casualty |           |               |          |                  |          |              |              |
| Q2 2010    | Q2 2009    | Q2 2010           | Q2 2009   | Q2 2010       | Q2 2009  | Q2 2010          | Q2 2009  | Q2 2010      | Q2 2009      |
| 15         | 25         | 23                | 18        | 2             | 2        | -                | 4        | 342          | 527          |
| 136        | 79         | 58                | 29        | 3             | 1        | -                | -        | 687          | 617          |
| 14         | 17         | 10                | 9         | 3             | 1        | -                | -        | 209          | 120          |
| 3          | 4          | 3                 | 2         | 1             | -        | -                | -        | 42           | 50           |
| <b>165</b> | <b>121</b> | <b>91</b>         | <b>56</b> | <b>8</b>      | <b>4</b> | <b>-</b>         | <b>4</b> | <b>1,238</b> | <b>1,264</b> |

|           |           |                   |           | Munich Health |           | Asset management |           | Total     |           |
|-----------|-----------|-------------------|-----------|---------------|-----------|------------------|-----------|-----------|-----------|
| Health    |           | Property-casualty |           |               |           |                  |           |           |           |
| Q1-2 2010 | Q1-2 2009 | Q1-2 2010         | Q1-2 2009 | Q1-2 2010     | Q1-2 2009 | Q1-2 2010        | Q1-2 2009 | Q1-2 2010 | Q1-2 2009 |
| 22        | 23        | 36                | 37        | 35            | 33        | 28               | 31        | 347       | 325       |
| 48        | 24        | 99                | 68        | 34            | 30        | 21               | 24        | 396       | 305       |

|         |         |                   |         | Munich Health |         | Asset management |         | Total   |         |
|---------|---------|-------------------|---------|---------------|---------|------------------|---------|---------|---------|
| Health  |         | Property-casualty |         |               |         |                  |         |         |         |
| Q2 2010 | Q2 2009 | Q2 2010           | Q2 2009 | Q2 2010       | Q2 2009 | Q2 2010          | Q2 2009 | Q2 2010 | Q2 2009 |
| 13      | 8       | 19                | 24      | 19            | 23      | 14               | 18      | 166     | 205     |
| 31      | 12      | 53                | 33      | 19            | 17      | 11               | 13      | 214     | 164     |

## Selected notes to the consolidated financial statements

Other operating income mainly comprises income of €195m (149m) from services rendered, interest and similar income of €52m (38m), income of €47m (108m) from the release/reduction of miscellaneous provisions and adjustments of values for receivables, and income of €46m (18m) from owner-occupied property, some of which is also leased out. In addition to expenses of €142m (114m) for services rendered, other operating expenses chiefly include interest charges and similar expenses of €73m (61m), other write-downs of €26m (22m), and other tax of €17m (13m). They also contain expenses of €19m (10m) for owner-occupied property, some of which is also leased out.

| Other non-operating result, impairment losses of goodwill and finance costs <sup>1</sup> | Reinsurance |           |                   |           | Primary insurance |           |
|--|-------------|-----------|-------------------|-----------|-------------------|-----------|
|  | Life        |           | Property-casualty |           | Life              |           |
|  | Q1-2 2010   | Q1-2 2009 | Q1-2 2010         | Q1-2 2009 | Q1-2 2010         | Q1-2 2009 |
| €m   |             |           |                   |           |                   |           |
| Other non-operating income   | 364         | 198       | 752               | 639       | 132               | 570       |
| Other non-operating expenses   | 424         | 181       | 863               | 677       | 149               | 595       |
| Impairment losses of goodwill  | -           | -         | -                 | -         | -                 | 48        |
| Finance costs  | 36          | 43        | 90                | 96        | 1                 | 1         |

<sup>1</sup> After elimination of intra-Group transactions across segments.

| Other non-operating result, impairment losses of goodwill and finance costs <sup>1</sup> | Reinsurance |         |                   |         | Primary insurance |         |
|--|-------------|---------|-------------------|---------|-------------------|---------|
|  | Life        |         | Property-casualty |         | Life              |         |
|  | Q2 2010     | Q2 2009 | Q2 2010           | Q2 2009 | Q2 2010           | Q2 2009 |
| €m   |             |         |                   |         |                   |         |
| Other non-operating income   | 198         | 97      | 426               | 241     | 77                | 194     |
| Other non-operating expenses   | 232         | 110     | 484               | 358     | 83                | 224     |
| Impairment losses of goodwill  | -           | -       | -                 | -       | -                 | -       |
| Finance costs  | 18          | 21      | 47                | 46      | -                 | -       |

<sup>1</sup> After elimination of intra-Group transactions across segments.

**Selected notes to the consolidated financial statements**

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 €1,853m (1,834m), it contains other non-technical income of €78m (197m).

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 €2,047m (1,945m), they include write-downs of €50m (59m) on other intangible assets and other non-technical expenses of €159m (178m), such as expenses unrelated to the accounting period, project costs and other amounts that cannot be allocated elsewhere and restructuring expenses.

|           |           |                   |           | Munich Health |           | Asset management |           | Total     |           |
|-----------|-----------|-------------------|-----------|---------------|-----------|------------------|-----------|-----------|-----------|
| Health    |           | Property-casualty |           |               |           |                  |           |           |           |
| Q1-2 2010 | Q1-2 2009 | Q1-2 2010         | Q1-2 2009 | Q1-2 2010     | Q1-2 2009 | Q1-2 2010        | Q1-2 2009 | Q1-2 2010 | Q1-2 2009 |
| 367       | 412       | 137               | 154       | 176           | 53        | 3                | 5         | 1,931     | 2,031     |
| 384       | 444       | 220               | 206       | 210           | 72        | 6                | 7         | 2,256     | 2,182     |
| -         | -         | 109               | 10        | -             | 40        | -                | -         | 109       | 98        |
| -         | -         | 12                | 12        | 5             | 5         | 1                | 1         | 145       | 158       |

|         |         |                   |         | Munich Health |         | Asset management |         | Total   |         |
|---------|---------|-------------------|---------|---------------|---------|------------------|---------|---------|---------|
| Health  |         | Property-casualty |         |               |         |                  |         |         |         |
| Q2 2010 | Q2 2009 | Q2 2010           | Q2 2009 | Q2 2010       | Q2 2009 | Q2 2010          | Q2 2009 | Q2 2010 | Q2 2009 |
| 191     | 183     | 65                | 48      | 95            | 24      | 2                | 3       | 1,054   | 790     |
| 201     | 189     | 118               | 107     | 116           | 46      | 2                | 4       | 1,236   | 1,038   |
| -       | -       | 109               | -       | -             | 40      | -                | -       | 109     | 40      |
| -       | -       | 7                 | 6       | 3             | 2       | 1                | 1       | 76      | 76      |

### **Non-current assets held for sale**

As from the financial year 2010, we are presenting disposal groups only if other assets or liabilities besides the non-current asset held for sale will actually be transferred to the respective acquirer. Assets or liabilities which are associated with the transferred asset but which will not be transferred are consequently not allocated to a disposal group. This concerns, for example, certain deferred tax items and provisions for deferred premium refunds.

In the fourth quarter of 2009, with economic effect from 1 January 2010, we sold one of our owner-occupied office properties. Its carrying amount of €13m is therefore no longer recognised at the reporting date. At the same time, we acquired an office property for own use at a price of €41m.

Also in the fourth quarter of 2009, with economic effect from 1 April 2010, we sold seven residential investment properties with a total carrying amount of €68m.

Besides this, in the fourth quarter of 2009, we decided to sell an investment office property with a carrying amount of €22m. A contract regarding the sale of this property was signed in April 2010, with economic effect from 1 July 2010.

On 12 April 2010, we sold part of our stake in Helvetia Holding AG, St. Gall. The market value of the shares sold was €119m, the gain on disposal €90m. This transaction reduced our shareholding in the company from around 8.2% to below 3%.

In July 2010, we decided to sell four items of property with a total carrying amount of €12m and classified this property as "held for sale" at the time our decision was taken.

How the non-current assets held for sale are allocated between the segments is disclosed in the segment reporting.

### **Related parties**

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

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



### Number of staff

The number of staff employed by the Group as at 30 June 2010 totalled 24,648 (24,951) in Germany and 22,439 (22,298) in other countries.

| Number of staff   | 30.6.2010     | 31.12.2009    |
|-------------------|---------------|---------------|
| Reinsurance       | 11,438        | 11,309        |
| Primary insurance | 30,839        | 31,145        |
| Munich Health     | 4,036         | 4,007         |
| Asset management  | 774           | 788           |
| <b>Total</b>      | <b>47,087</b> | <b>47,249</b> |

### Contingent liabilities, other financial commitments

In comparison with the situation at 31 December 2009, financial commitments of significance for the assessment of the Group's financial position show two main changes: an increase of €182m in investment commitments and an increase of €98m in commitments under work and service contracts. 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  | Q1-2 2010   | Q2 2010     | Q1-2 2009   | Q2 2009     |
|---|-------------|-------------|-------------|-------------|
| Consolidated result attributable to Munich Reinsurance Company equity holders | €m 1,191    | 709         | 1,118       | 685         |
| Weighted average number of shares   | 188,122,248 | 186,464,227 | 195,216,749 | 195,087,851 |
| Earnings per share  | € 6.33      | 3.80        | 5.73        | 3.51        |

### Events after the balance sheet date

The Annual General Meeting of ERGO Versicherungsgruppe AG on 12 May 2010 adopted a squeeze-out resolution transferring the 237,065 shares belonging to the minority shareholders of ERGO Versicherungsgruppe AG (0.31% of share capital) to the majority shareholder Munich Reinsurance Company against cash compensation of €97.72 per share. The cash compensation was paid to the minority shareholders after entry of the squeeze-out resolution in the commercial register on 5 July 2010.

Under the share buy-back programme decided on by Munich Reinsurance Company's Board of Management on 7 May 2010, we repurchased a further 0.9 million Munich Re shares with a volume of €93m after the balance sheet date up to the end of July 2010.

Drawn up and released for publication,  
Munich, 3 August 2010

The Board of Management

## Review report

To Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München

We have reviewed the condensed interim consolidated financial statements – comprising the consolidated balance sheet, the consolidated income statement, the statement of recognised income and expense, the Group statement of changes in equity, the condensed consolidated cash flow statement as well as the selected explanatory notes – together with the interim Group management report of Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München, for the period from 1 January 2010 to 30 June 2010, that are part of the half-year financial report according to Section 37 w WpHG (German Securities Trading Act). The preparation of the condensed interim consolidated financial statements in accordance with those IFRSs applicable to interim financial reporting as adopted by the EU, and of the interim Group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and the interim Group management report based on our review.

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

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, or that the interim Group management report has not been prepared, in material aspects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Munich, 4 August 2010  
KPMG Bayerische Treuhandgesellschaft  
Aktiengesellschaft Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft

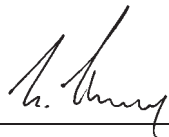







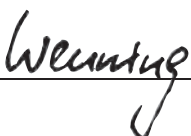
Klaus Becker  
Wirtschaftsprüfer  
(Certified public accountant)

Martin Berger  
Wirtschaftsprüfer  
(Certified public accountant)

## Declaration of the Board of Management

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

Munich, 4 August 2010

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## Important dates 2010/2011

| 2010            |  | 2011            |  |
|-----------------|--|-----------------|--|
| 9 November 2010 | Interim report as at 30 September 2010 | 10 March 2011   | Balance sheet press conference for 2010 financial statements |
|                 |  | 20 April 2011   | Annual General Meeting                                       |
|                 |  | 21 April 2011   | Dividend payment   |
|                 |  | 9 May 2011      | Interim report as at 31 March 2011                           |
|                 |  | 4 August 2011   | Interim report as at 30 June 2011                            |
|                 |  | 4 August 2011   | Half-year press conference                                   |
|                 |  | 8 November 2011 | Interim report as at 30 September 2011                       |

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