

# MUNICH RE

## HALF-YEAR FINANCIAL REPORT

### 2011

## Supervisory Board

Dr. Hans-Jürgen Schinzler  
(Chairman)

## Board of Management

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

## Key figures (IFRS)

### Munich Re (Group)

		Q1-2 2011	Q1-2 2010	Change	Q2 2011	Q2 2010	Change
				%			%
Gross premiums written	€m	24,949	22,613	10.3	11,969	10,956	9.2
Technical result	€m	-1,326	677	-	586	539	8.7
Investment result	€m	3,468	5,078	-31.7	1,512	2,618	-42.2
Operating result	€m	-437	2,218	-	947	1,448	-34.6
Taxes on income	€m	-470	445	-	142	372	-61.8
Consolidated result	€m	-210	1,194	-	738	709	4.1
Thereof attributable to non-controlling interests	€m	1	3	-66.7	2	-	-
Earnings per share	€	-1.18	6.33	-	4.14	3.80	8.9
Combined ratio							
Reinsurance property-casualty <sup>1</sup>	%	133.1	106.4		99.6	103.8	
Primary insurance property-casualty	%	96.5	96.6		94.7	94.5	
Munich Health <sup>2</sup>	%	99.7	100.4		99.6	99.5	

		30.6.2011	31.12.2010	Change
				%
Investments	€m	193,725	193,108	0.3
Equity	€m	20,308	23,028	-11.8
Net technical provisions	€m	177,135	171,068	3.5
Employees		47,039	46,915	0.3
Share price	€	105.45	113.45	-7.1
Munich Reinsurance Company's market capitalisation <sup>3</sup>	€bn	18.9	21.4	-11.6

<sup>1</sup> Not adjusted for relief of 2.8 percentage points from the economic risk transfer to the capital markets.

<sup>2</sup> Excluding business conducted like life insurance.

<sup>3</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,

Following a first quarter which was heavily affected by natural catastrophes, I can report a respectable result for the second quarter of 2011. Our Group made a profit of €738m. Once again, large losses from natural catastrophes had to be absorbed, particularly due to severe tornadoes in the southern and midwest US states. On the positive side, some reinsurance segments saw price increases – especially in catastrophe-exposed business – and primary insurance earnings improved.

Write-downs on Greek government bonds have had a noticeable impact on the investment result for the second quarter. Our figures are based on the market values as at 30 June 2011, thus ensuring clarity, even though the resolutions of the eurozone countries have meanwhile led to a marked appreciation in values. We have yet to determine the modalities of our participation in the rescue package for Greece. In my estimation, this package is the right step because it should give the capital markets the certainty they so urgently need in the short term to calm the troubled waters. Now, politicians must urgently address the causes of the crisis and implement vigorous measures in all the countries to bring about an economic recovery and medium-term budget consolidation.

Quite apart from business performance, ERGO has experienced a particularly challenging quarter following a series of disputes with intermediaries who had left HMI, an ERGO structured sales organisation. These disputes concern severance payment demands which, in our conviction, are excessive and to which ERGO neither can nor should accede. In connection with these disputes, some instances of severe transgressions by individual ERGO employees or intermediaries became known, which ERGO has clearly condemned. In particular, these involved the circumstances of an incentive trip to Budapest in 2007. And the failure to immediately rectify the consequences of an error in a revised version of an application form for Riester products is also not compatible with ERGO's corporate identity. Approximately 12,000 clients were affected, and are now receiving higher benefits, giving rise to additional costs for ERGO conservatively estimated at €5m.

Without going into all the allegations, some of which were levelled unjustly, I wish to make it absolutely clear that conduct such as that demonstrated on the incentive trip to Budapest is totally unacceptable. Such an event, or the failure to rectify errors, must not be repeated. ERGO will thoroughly investigate and deal with all claims of misconduct, aided by colleagues from Munich Re and by an external auditing firm. The first conclusions have already been drawn, with ERGO strengthening its compliance function, defining its code of conduct more precisely, and also making such a code binding for its independent sales staff. In addition, ERGO has drawn up concrete guidelines to ensure that all its sales forces keep incentive trips and the like within appropriate bounds. Finally, for each individual allegation, a detailed review will be conducted to establish whether and to what extent regulations, processes or systems need to be amended. The crucial point is that all staff members internalise and exhibit the correct attitude towards our clients and our business without any ifs or buts. There can be no grey areas.

Looking to the future, we are guardedly optimistic. Despite the rescue package for Greece, we must still reckon with uncertainty on the capital markets. Nevertheless, we anticipate that the global economy will continue its recovery. In reinsurance, we are seeing a general stabilisation of prices and hardening markets in individual segments. New opportunities are opening up for Munich Health due to demographic development and a growing demand for healthcare services. ERGO will continue to pursue the course it adopted in the past year of becoming the insurer that sets itself apart through personalised consultation and product sales based on the customer's needs. ERGO will demonstrate that customer focus, high-quality advice, transparency and candour are key to success.

On a daily basis, all employees in the Group must comply with statutory and regulatory requirements, face up to the challenges posed by the competition, and meet the expectations of our clients, shareholders and the public. This is only possible if we set ourselves high standards for our conduct. And it must be evident that we maintain and abide by these standards. In our Group, we attach great value to responsible and decent conduct. I expect all our managers and staff members to act accordingly. Those who fail to do so do not belong in our Group. I am very grateful that the vast majority of our employees have always lived up to these expectations, thus providing the basis for our Group's good reputation. It is clear to us all that the trust and confidence of our clients and shareholders is our greatest asset.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'N. von Bomhard', written in a cursive style.

Nikolaus von Bomhard  
Chairman of the Board of Management  
of Munich Reinsurance Company

## Interim management report

### Business environment

- // Global economic growth continues at a slightly slower pace
- // Inflationary pressure persists worldwide due to higher commodity prices; interest rates remain low
- // Stock markets with marginal losses in the USA and Europe, and small price gains in Japan

Growth in the [global economy](#) continued to be solid in the second quarter – albeit somewhat weaker than in the previous three-month period.

In the [USA](#), economic growth was tempered by restrained consumer demand against a backdrop of high public spending and expansionist monetary policy.

Industrial capacity utilisation in the [eurozone](#) was up slightly in the second quarter, while at the same time Eurostat's economic development indicator fell marginally.

[Japan's](#) economic strength suffered in the aftermath of the earthquake, but there were no serious negative repercussions for the global economy despite the supply-chain disruption felt worldwide.

Economic momentum in Asia's emerging markets was buoyed by robust domestic and export demand. Restrictive monetary and fiscal policy measures caused minor slackening in [China's](#) economic activity.

In spite of the decrease from US\$ 119 per Brent barrel in early April to US\$ 112 at the end of June, the [oil price](#) remained at a high level. With commodity prices also high overall, this kept up inflationary pressure around the world. In the second quarter of 2011, the rate of inflation climbed to 3.4% from 2.1% in the first quarter in the USA, from 2.5% to 2.8% in the eurozone, from 4.1% to 4.4% in the United Kingdom, and from 5.0% to 5.7% in China. Nevertheless, the [US Federal Reserve](#) kept its key interest rate in the range of 0% to 0.25%, while the Bank of England adhered to a rate of 0.5%. Only the European Central Bank increased its key interest rate: from 1.0% to 1.25% in April, and again to 1.5% in July.

The debt crisis in the eurozone, which worsened further, and the weakening of global economic growth fuelled uncertainty on the capital markets. Investors increasingly switched to German and US government bonds, causing returns on these to fall in the course of the quarter. [Yields](#) on ten-year US government bonds receded from 3.4% at the start of April to 3.2% at the end of June; those of German government bonds fell from 3.4% to 3.0% in the same period. The performance of the [stock markets](#) was correspondingly negative, but they recovered again towards the end of the quarter. Down 0.9%, the S&P 500 remained almost unchanged in the second quarter overall, closing at 1,321 points on 30 June. The EURO STOXX 50 sank by 3.9% to 2,849 points, whilst the Japanese Nikkei climbed 1.1% to 9,816 points by the end of the quarter. Following several major fluctuations, the euro recovered slightly against the US dollar over the quarter, closing at US\$ 1.45.

## Business performance

### Overview

Munich Re's Group-wide business performance in the first few months of 2011 was marked by major losses from natural catastrophes and the euro crisis. We posted a **consolidated result** of –€210m (1,194m) for the first half of the year, and returned to the profit zone in the second quarter with a result of €738m (709m). The burdens from natural catastrophes derive from the earthquake and tsunami in Japan, the earthquakes in New Zealand, the floods and Cyclone Yasi in Australia and tornadoes and floods in the southern and midwest US states. According to our current estimates, which are still preliminary especially in the case of Japan, our claims burden from natural catastrophes after retrocession to reinsurers and before tax is €3.4bn. We have increased our estimate for the earthquake in the region of Christchurch, New Zealand, in February 2011 by €261m to €1.0bn. **Gross premium income** amounted to €24.9bn (22.6bn) in the period under review, an increase of 10.3%.

At €3,468m, the **investment result** for the first half-year was well down on the previous year (€5,078m), which had benefited from positive special factors. The annualised return on the average investment portfolio at market values was 3.6%<sup>1</sup>. Regular income was up slightly to €4,057m (€3,918m). The negative balance from write-ups and write-downs was due mainly to write-downs on our portfolio of Greek government securities. We achieved a positive balance on the disposal of investments.

All in all, this led to an **operating result** of –€437m (2,218m) for the first six months, with a positive result of €947m (1,448m) for the second quarter.

Compared with the start of the year, our **equity** decreased by €2.7bn to €20.3bn (23.0bn). The main reasons for this were the dividend payment in April, the relatively strong euro, lower valuation reserves on non-fixed-interest securities, share buy-backs, and the consolidated loss in the first half of the year. The annualised return on risk-adjusted capital (RORAC) totalled –2.2%, whilst the return on equity (RoE) amounted to –2.0%.

On 29 March 2011, with a settlement date of 5 April 2011, we issued a new subordinated bond of €1bn. With a term of 30 years, the bond is first callable after ten years. Up to then, it has a coupon rate of 6% p.a. and thereafter a floating rate. The bond is designed to be compliant with the existing (Solvency I) and anticipated (Solvency II) supervisory regime, and to meet current rating agency requirements.

<sup>1</sup> 3.3% excluding the earnings from economic risk transfer to the capital market that are posted in the investment result.

## Reinsurance

- // Successful treaty renewals at 1 April 2011 with further improvement in profitability
- // Combined ratio of 133.1%<sup>1</sup> for the first half of the year burdened by exceptionally high random losses from natural catastrophes; 99.6% for the second quarter
- // Investment result of €1.9bn in the first six months; €0.7bn in the second quarter
- // Consolidated loss of €132m in the first half of the year and consolidated profit of €551m in the second quarter

### Key figures

		Q1-2 2011	Q1-2 2010	Change	Q2 2011	Q2 2010	Change
				%			%
Gross premiums written	€bn	13.3	11.6	15.2	6.4	5.6	14.1
Loss ratio property-casualty <sup>1</sup>	%	103.2	76.2		69.1	71.8	
Expense ratio property-casualty	%	29.9	30.2		30.5	32.0	
Combined ratio property-casualty <sup>1</sup>	%	133.1	106.4		99.6	103.8	
Thereof natural catastrophes <sup>1</sup>	Percentage points	44.3	12.8		12.2	5.4	
Technical result	€m	-1,604	448	-	446	340	31.2
Investment result	€m	1,931	2,157	-10.5	675	1,222	-44.8
Operating result	€m	-679	1,697	-	578	1,092	-47.1
Consolidated result	€m	-132	1,057	-	551	633	-13.0
					30.6.2011	31.12.2010	Change
							%
Investments	€bn			€bn	82.4	83.7	-1.5
Net technical provisions	€bn			€bn	61.5	56.6	8.8

In reinsurance, we posted a **consolidated result** of -€132m (1,057m) for the first six months and achieved a profit of €551m (633m) for the second quarter. Reinsurance business was impacted by above-average claims costs from natural catastrophes in the first half of the year. The major-loss burden in the second quarter was also higher than in the previous year, essentially owing to severe tornadoes in the southern and midwest US states and to reserve strengthening for the earthquake in the region of Christchurch, New Zealand. The operating result showed a decline of €2,376m to -€679m (1,697m) for the first half of the year and totalled €578m (1,092m) for the period from April to June. The investment result for the first six months was down 10.5% to €1,931m (2,157m), with €675m (1,222m) attributable to the second quarter.

<sup>1</sup> Not adjusted for relief of 2.8 percentage points from the economic risk transfer to the capital markets.



Our **premium income** rose significantly by 15.2% to €13.3bn (11.6bn) for the first half of the year; for the months of April to June, it amounted to €6.4bn (5.6bn). If exchange rates had remained the same, our premium volume would have increased by 16.6% compared with the first half of 2010 and by 21.3% against the second quarter of 2010.

#### Gross premiums by division - Q1-2 2011



In the **life** segment, gross premiums written in the first half-year rose by 24.7% to €4.9bn (3.9bn), mainly owing to the conclusion of new, large-volume quota share treaties. Our premium income for the second quarter climbed by 19.9% to €2.5bn (2.0bn). We continued to benefit from brisk demand among insurers seeking to transfer risk to a financially strong reinsurer like us as a means of capital relief as well as from continued pleasing growth in Asia. Adjusted to eliminate the effects of changes in exchange rates, our premium income would have been up 24.5% for the period from January to June and by 25.3% for the months of April to June.

In **property-casualty business**, we recorded premium growth of 10.4% to €8.5bn (7.7bn) for the first half of 2011 and a volume of €4.0bn (3.6bn) for the second quarter. Our motor business showed a rise in premium income of €474m for the period under review, largely owing to treaties with Chinese and UK ceding companies. Adjusted to eliminate the effects of changes in exchange rates, premium volume for the first six months would have increased by 12.6% against the same period last year and by 19.0% year on year for the period from April to June.

**Treaty renewals** in property-casualty reinsurance at the beginning of April mainly involved the markets of Japan, Korea and North America, as well as individual global clients. With a volume of roughly €1.1bn, the treaty portfolio up for renewal accounted for around 10% of our total treaty business, 35% of which was attributable to Japan and Korea and 40% to North American and major clients. The earthquake that hit Japan in March 2011 initially had only a limited impact on the April renewals, since parts of the portfolio had previously been renewed or their renewal had been postponed to a later date. For earthquake covers in the Japanese region that were negotiated and concluded, however, we achieved significant price increases of up to 50% for programmes that had sustained losses. Previous loss events were also responsible for slight price increases in our windstorm covers, which make up a large portion of our Japanese portfolio. The rest of our portfolio essentially showed the same trend as in the January renewals, with prices moving sideways at best. Despite numerous loss events in the first months of the year, reinsurance capacity was in sufficient supply.

Overall, we renewed treaties with a volume of nearly €1bn, or 86.5% of the business up for renewal. Taking into account new business, premium volume showed a moderate decline of 3.0% overall. The profitability of our portfolio was optimised through price increases of 1.2%.

The **combined ratio** amounted to 133.1%<sup>1</sup> (106.4%) of net earned premiums for January to June and 99.6% (103.8%) for the second quarter. The overall burden from major losses totalled around €3,656m<sup>2</sup> (1,359m), or 48.2% (19.6%) for the first half of the year, thus clearly exceeding our expectations for the average level. The largest share of this figure, 44.3<sup>3</sup> (12.8) percentage points, was accounted for by natural catastrophes.

The earthquake that struck Japan on 11 March and subsequent tsunami constitute the largest natural catastrophe loss for Munich Re since Hurricane Katrina in 2005. According to the still provisional figures, we anticipate a pre-tax loss burden of around €1.5bn after retrocession and risk transfer to the capital markets. The relief from this capital market cover is the result of a catastrophe bond being triggered for a Japanese primary insurer's earthquake losses. The income from this bond is shown in the result from derivatives in the investment result. The losses to be borne by Munich Re derive mainly from commercial covers. However, this estimate is still subject to considerable uncertainties, especially in view of the natural catastrophe's complexity and severity.

There were other major natural catastrophes in the first half of the year, the most notable being the earthquakes in the region of Christchurch, New Zealand, in February and June, which according to the latest estimates will impact our result after retrocession and before tax with slightly more than €1bn. The now clearly improved level of information from reports provided by our cedants and the decision to abandon entire damaged areas have led to a more refined and higher loss estimate. However, the loss inspection process has not yet been completed. In April and May, the worst series of tornadoes to hit the southern and midwest US states in nearly four decades led to hundreds of fatalities and significant material damage. Our share in these losses is over €200m. As a consequence, our major-loss expenditure for the period from April to June was also higher than in the same period last year, totalling €651m (598m). This figure accounts for 17.7% (16.6%) of the combined ratio, of which 12.2 (5.4) percentage points are attributable to natural catastrophes and 5.5 (11.2) percentage points to man-made losses.

The exceptionally high claims burden does not necessitate a revision of our risk models. In terms of the individual events and their random accumulation, the losses remained within the range Munich Re is prepared and able to bear according to the risk tolerance defined in our risk model. In addition, particularly after major losses, property-casualty reinsurance generally benefits from heightened risk awareness, a rise in demand and scarcer capacity – factors that usually result in improved terms and conditions in the reinsurance markets.

<sup>1</sup> 130.3% taking into account the economic risk transfer to the capital markets.

<sup>2</sup> €3,445m taking into account the economic risk transfer to the capital markets.

<sup>3</sup> 41.5 percentage points taking into account the economic risk transfer to the capital markets.

## Primary insurance

// Total premium volume of €9.9bn; €4.8bn for the second quarter  
 // Combined ratio of 96.5% for the first half-year and 94.7% for the period from April to June  
 // Investment result of €1.9bn for the first six months; €0.9bn for the second quarter  
 // Half-year result of €358m; €302m for the months of April to June

### Key figures

		Q1-2 2011	Q1-2 2010	Change	Q2 2011	Q2 2010	Change
				%			%
Total premium income	€bn	9.9	9.9	-0.4	4.8	4.8	0.3
Gross premiums written	€bn	8.9	8.9	0.9	4.2	4.2	0.4
Loss ratio property-casualty	%	63.1	63.4		62.8	62.5	
Expense ratio property-casualty	%	33.4	33.2		31.9	32.0	
Combined ratio property-casualty	%	96.5	96.6		94.7	94.5	
Technical result	€m	367	255	43.9	212	204	3.9
Investment result	€m	1,929	3,060	-37.0	905	1,438	-37.1
Operating result	€m	639	627	1.9	466	376	23.9
Consolidated result	€m	358	293	22.2	302	128	135.9
Thereof attributable to non-controlling interests	€m	6	6	-	7	1	600.0
					30.6.2011	31.12.2010	Change
							%
Investments				€bn	122.3	121.8	0.4
Net technical provisions				€bn	112.3	111.2	1.0

The primary insurance **consolidated result** totalled €358m (293m) for the period from January to June 2011 and €302m (128m) for the second quarter. The investment result for the first half-year was significantly affected by write-downs on our portfolio of Greek government securities. The impact of the write-downs on the result totalled -€113m. This was offset by a positive effect in the second quarter from the sale of Capital Square Pte. Ltd., a consolidated company with a parcel of real estate in Singapore, producing a gain of €156m. Operative business performed well. Our result for the first half of 2011 showed a year-on-year improvement of 1.9% to €639m (627m), with the months of April to June accounting for €466m (376m). From an underwriting point of view, the first quarter of 2011 was satisfactory overall. The combined ratio in the property-casualty segment amounted to 96.5% and was thus slightly better than in the previous year (96.6%).

## Gross premiums by class of business – Q1-2 2011



The moderate reduction in **total premium income** for the first half of the year is mainly attributable to lower single-premium income from capitalisation products and unit-linked life insurance policies; our premium volume for April to June was €4.8bn (4.8bn). **Gross premiums written** – a figure that does not include the savings premiums from unit-linked life insurance and capitalisation products – totalled €8.9bn (8.9bn) for the first half of 2011 and €4.2bn (4.2bn) for the period from April to June. Growth was especially apparent in the health segment and in property-casualty insurance.

Our **life insurers** in the ERGO Insurance Group (ERGO) posted total premium income of €3.9bn (4.2bn) in the first six months of the year, a decline of 6.3% compared with the same period last year. Premium volume for the second quarter amounted to €2.1bn (2.2bn). In international business, single-premium business with unit-linked life insurance and capitalisation products in particular fell, reducing overall premium volume to €1.0bn (1.1bn). In Germany, premium income totalled €2.9bn (3.1bn), with a reduction in single-premium revenue making itself felt here as well. Following a lengthy phase of strong growth in this business, the first half of 2011 showed a market-wide decline. Our income from single-premium business was also lower. Due to reduced interest rates, the decrease in premium for our capitalisation product MaxiZins alone amounted to €56m. By contrast, new regular-premium business increased by 7.3% to €162m compared with the previous year (€151m). In total, new business volume in Germany declined by 15.6%, or 2.9% in terms of annual premium equivalent (APE<sup>1</sup>) – the customary international performance measure. International new business was down 8.2% to €471m. Measured in terms of APE, however, it increased by 7.2%, owing to strong growth in regular-premium business (+19.3%).

In the **health** insurance segment, premium income since the beginning of the year climbed by 4.5% to €2.9bn (2.8bn), of which €1.4bn (1.3bn) was generated in the period April to June 2011. Business with supplementary benefit covers rose by 5.8%, whilst premium income in comprehensive health insurance expanded by 4.1%. This growth reflected the abolition as at 1 January 2011 of the three-year waiting period for switching to private health insurance, a fact that stimulated new business in comprehensive health insurance and triggered marked growth of 27.1% compared with the same period last year. The increase in supplementary health insurance was even somewhat stronger at 29.6%. In travel insurance, which is disclosed in the health segment, we registered a rise in premium volume of 15.0% between January and June 2011. The unrest in the Arab world and earthquake in Japan do not seem to have had a negative impact on the travel insurance sector.

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

Premium income in the **property-casualty insurance** segment climbed to €3.1bn (3.0bn) in the period from January to June 2011 and totalled €1.3bn (1.3bn) in the second quarter. The growth of 3.2% since the beginning of the year largely derives from international business. In Germany, we registered a rise in premium income of 1.9% to €1.9bn (1.8bn) in the same period, largely owing to commercial and industrial business, where we posted 7.2% premium growth. Our business with personal accident policies showed a decline of 2.8% in the first six months of the year, attributable above all to lower sales of personal accident insurance policies with premium return. Motor insurance, by contrast, saw a rise of 2.5% in premium from January to June 2011, also reflecting our rate increases at the beginning of the year. In the legal protection insurance market, we were able to post 0.9% premium expansion in Germany.

Compared with the first six months of 2010, when the loss ratio in property-casualty insurance had also been significantly burdened by weather losses, claims experience was more favourable in the first half of 2011.

The **combined ratio** for the period from January to June 2011 was a satisfying 96.5% of net earned premiums – an improvement compared with the same period last year (96.6%). At a very good 89.7%, the combined ratio for Germany was 1.3 percentage points lower than in the previous year. In international business, it amounted to 106.4% (105.4%) and was thus again at an unsatisfactory level. The market environment, especially in motor insurance, remains very difficult in important markets such as Turkey or South Korea. Measures have been initiated to improve the results there. Poland had been significantly affected by losses due to natural catastrophes in the previous year, but in the first half of 2011 its results showed a distinct upward trend again.

In May, the media reported extensively on a sales event organised by HMI in Budapest in 2007, when serious violations of corporate rules and regulations had been committed. The HMI structured sales force is a sales organisation belonging to Hamburg-Mannheimer, now incorporated into ERGO Lebensversicherung AG. The persons responsible at HMI at the time of the event no longer work for ERGO. The incident represents a severe breach of existing corporate guidelines and values, in particular ERGO's code of conduct applicable to all employees, managers and Board members of all entities of the ERGO Group in and outside Germany. To ensure that there is no repeat of such an incident, ERGO's Board of Management introduced a package of measures at the beginning of June supplementing the existing regulations and rules of conduct. The structure of the compliance function in the company is also to be strengthened. Moreover, ERGO is working on a code of conduct specifically for its independent field staff. The Chairman of the Board of Management of ERGO has issued a public apology for the event.

In June, there were further reports, this time about errors committed in the area of life insurance. ERGO announced that in 2005 a flawed form had been used for the conclusion of a number of Riester policies. On the back of the application form in use in 2005, the figure given for the cost rate was mistakenly too low. For the approximately 12,000 customers affected by this error, ERGO will recalculate its policies on the basis of the lower cost rate. It will approach the customers in question and perform the recalculation of its own accord; according to a conservative estimate, the cost of correcting the erroneous figure will be in the range of €5m.

## Munich Health

// Marked increase in premium volume by 18.8% to €3.0bn in the first half-year  
 // Combined ratio of 99.7% in the first half of the year and 99.6% in the second quarter  
 // Clear improvement in the six-month result to €36m; €15m for the second quarter

### Key figures

		Q1-2 2011	Q1-2 2010	Change	Q2 2011	Q2 2010	Change
				%			%
Gross premiums written	€bn	3.0	2.6	18.8	1.5	1.3	15.1
Loss ratio <sup>1</sup>	%	81.2	80.1		80.7	79.9	
Expense ratio <sup>1</sup>	%	18.5	20.3		18.9	19.6	
Combined ratio <sup>1</sup>	%	99.7	100.4		99.6	99.5	
Technical result	€m	21	17	23.5	13	22	-40.9
Investment result	€m	79	89	-11.2	34	56	-39.3
Operating result	€m	65	60	8.3	25	56	-55.4
Consolidated result	€m	36	16	125.0	15	27	-44.4
					30.6.2011	31.12.2010	Change
							%
Investments				€bn	5.1	4.1	25.0
Net technical provisions				€bn	3.2	3.3	-2.3

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

Munich Health posted a solid **consolidated result** of €36m (16m) for the first half-year 2011, €15m (27m) of which was attributable to the second quarter. The key factors behind the year-on-year increase were a higher underwriting result and currency gains. Our premium income rose markedly compared with the same period last year. If exchange rates had remained the same, premium volume would have risen even more – by 19.2% – year on year in the first half of 2011.

### Gross premiums by market region - Q1-2 2011



Gross premiums written in reinsurance were up by 31.6% to €2,093m (1,591m), mainly owing to the conclusion of a new large-volume quota share treaty in North America, which had already become effective in the first quarter of 2011.

In international health primary insurance, premium volume grew, mainly due to the acquisition of the Windsor Health Group (Windsor). This growth more than offset the decline in premium income at Sterling Life Insurance Company (Sterling) in the second quarter and first half of 2011 due to the company's strongly limited sales opportunities following changes in the US regulatory framework. The purchase of Windsor with effect from 1 January 2011 was in line with Munich Health's strategy of strengthening its position in the US Medicare market. The two companies now jointly offer health plans and specialty managed-care programmes for the senior segment, with Sterling having access to the network of service providers established by Windsor. In the case of our European primary insurance companies, a reduction in premium volume in the United Kingdom was partly offset by premium growth in Spain and Belgium.

The combined ratio was 99.7% (100.4%) for the period January to June 2011 and 99.6% (99.5%) for the second quarter. This ratio relates only to short-term health business, not to business conducted like life insurance. The latter accounted for 11.2% (12.8%) of gross premiums written in the first half of the year and 10.9% (11.9%) in the second quarter. The slight improvement in the combined ratio in the first half of 2011 was due to business restructuring and more favourable claims experience in reinsurance overall. Our combined ratio in primary insurance was up, largely owing to the decline in premium income at Sterling.

## Investment performance

- // Fixed-interest securities and loans continue to make up the predominant portion of the portfolio at around 82%
- // Duration of fixed-interest securities reduced in the first half-year
- // Write-downs of €703m on Greek government securities
- // Investment result of €3.5bn in the first six months; €1.5bn in the second quarter

### Investment mix<sup>1</sup>

€m	Reinsurance					
	Life		Property-casualty		Life	
	30.6.2011	31.12.2010	30.6.2011	31.12.2010	30.6.2011	31.12.2010
Land and buildings, including buildings on third-party land	255	267	1,174	1,178	1,743	1,760
Investments in affiliated companies	15	16	63	67	27	20
Investments in associates	55	54	285	282	103	192
Loans	13	47	49	188	31,008	31,045
Other securities held to maturity	-	-	-	-	20	42
Other securities available for sale						
Fixed-interest	11,183	11,905	42,288	45,110	35,013	35,803
Non-fixed-interest	948	974	5,032	5,419	1,932	1,892
Other securities at fair value through profit or loss						
Held for trading						
Fixed-interest	-	-	425	424	49	50
Non-fixed-interest	-	-	27	25	3	3
Derivatives	354	331	288	154	251	323
Designated as at fair value through profit or loss						
Fixed-interest	-	-	-	-	205	233
Non-fixed-interest	-	-	-	-	4	8
Deposits retained on assumed reinsurance	8,282	5,069	1,537	1,499	146	136
Other investments	259	330	1,144	787	920	623
Investments for the benefit of life insurance policyholders who bear the investment risk	-	-	-	-	5,135	4,953
<b>Total</b>	<b>21,364</b>	<b>18,993</b>	<b>52,312</b>	<b>55,133</b>	<b>76,559</b>	<b>77,083</b>

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

The **carrying amount of our investments** since the beginning of the year is nearly unchanged: additions to deposits retained on assumed reinsurance business more or less offset reductions resulting from foreign-exchange losses, particularly involving the US dollar against the euro. The economic approach we take to the management of our business includes basing investments on currency matching. We achieve this by generally basing investments on the currency structure of our underwriting liabilities. Exchange-rate fluctuations thus affect assets and liabilities in equal measure, with currency-translation losses on assets being offset by currency-translation gains on underwriting liabilities. Following a slight and momentary rise in the first quarter, interest rates returned to approximately beginning-of-year level. Altogether, risk spreads expanded on government bonds from countries such as Portugal, Greece or Ireland. The market values of our fixed-interest securities declined overall. Our valuation reserves (excluding owner-occupied property), which are partly recognised in the balance sheet, fell from €7.4bn to €5.9bn.



	Primary insurance				Munich Health		Asset management		Total	
	Health		Property-casualty		30.6.2011	31.12.2010	30.6.2011	31.12.2010	30.6.2011	31.12.2010
	30.6.2011	31.12.2010	30.6.2011	31.12.2010						
	615	623	83	340	31	16	64	63	3,965	4,247
	20	20	60	71	11	1	8	8	204	203
	73	107	168	150	60	52	45	51	789	888
	15,926	15,319	2,395	2,312	23	24	-	-	49,414	48,935
	-	-	-	-	-	-	-	-	20	42
	11,593	11,794	5,180	5,202	3,223	2,447	346	93	108,826	112,354
	911	634	764	655	251	174	53	21	9,891	9,769
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	1	-	-	474	475
	1	-	-	-	1	1	-	-	32	29
	44	37	17	12	7	10	-	-	961	867
	-	-	-	-	-	-	-	-	205	233
	-	-	-	-	-	-	-	-	4	8
	1	1	3	3	270	194	-	-	10,239	6,902
	221	87	306	463	207	129	508	780	3,565	3,199
	-	3	-	-	1	1	-	-	5,136	4,957
	<b>29,405</b>	<b>28,625</b>	<b>8,976</b>	<b>9,208</b>	<b>4,085</b>	<b>3,050</b>	<b>1,024</b>	<b>1,016</b>	<b>193,725</b>	<b>193,108</b>

At the end of the quarter, our investment portfolio continued to be dominated by fixed-interest securities, loans and short-term fixed-interest investments. Over 45% of these are government bonds or instruments for which public institutions are liable, of which 4% are bonds of Portuguese, Irish and Greek issuers, and a further 10% are from Italian and Spanish issuers.

Our portfolio of Greek government securities at 30 June 2011 is made up as follows:

#### Portfolio of Greek government securities

€m	Loans	Other securities available for sale
Nominal amounts	56	1,549
Amortised cost	55	1,490
Carrying amounts	31	811

In view of the planned participation of private creditors in a second rescue package for Greece, we have written down the value of these securities by €703m to the market value as at 30 June 2011. Beyond this, around 28% of our interest-bearing investments are in securities and debt instruments with top-quality collateralisation, around 42% of which are German pfandbriefs.

#### Other securities available for sale

€m	Carrying amounts		Unrealised gains/losses		At amortised cost	
	30.6.2011	31.12.2010	30.6.2011	31.12.2010	30.6.2011	31.12.2010
Fixed-interest securities	108,826	112,354	1,805	2,201	107,021	110,153
Non-fixed-interest securities						
Equities	6,148	6,027	1,063	1,488	5,085	4,539
Investment funds	2,905	3,009	107	113	2,798	2,896
Other	838	733	49	33	789	700
	9,891	9,769	1,219	1,634	8,672	8,135
<b>Total</b>	<b>118,717</b>	<b>122,123</b>	<b>3,024</b>	<b>3,835</b>	<b>115,693</b>	<b>118,288</b>

#### Valuation reserves not recognised in the balance sheet

€m	Valuation reserves	Fair value	Carrying amount	Valuation reserves	Fair value	Carrying amount
	30.6.2011	30.6.2011	30.6.2011	31.12.2010	31.12.2010	31.12.2010
Land and buildings <sup>1</sup>	1,552	7,891	6,339	1,695	8,353	6,658
Associates	352	1,118	766	311	1,181	870
Loans	964	50,378	49,414	1,553	50,488	48,935
Other securities	1	21	20	1	43	42
Tangible assets in renewable energies	3	153	150	-	46	46
<b>Total</b>	<b>2,872</b>	<b>59,561</b>	<b>56,689</b>	<b>3,560</b>	<b>60,111</b>	<b>56,551</b>

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

Since the beginning of the year, we have cautiously reduced the duration of our reinsurance companies' fixed-interest portfolios in expectation of a slight rise in yields in the medium term.

At the reporting date, corporate bonds made up 9% of our fixed-interest portfolio. In the interests of optimising the structure of our portfolio, we continue to hold credit deriva-

tives, thus increasing our exposure to banks and companies by around 2% relative to the fixed-interest portfolio. Our portfolio of structured products, which are held chiefly by our reinsurance companies, expanded by €0.2bn to €6.3bn (6.1bn) due to some additional investments. Around 68% of these securities have an AAA rating.

In the period under review, we made further judicious reallocations within our investment portfolio. After being expanded slightly in the first quarter, our equity portfolio (before taking derivatives into account, and including investments in affiliated companies and associates at market value) was reduced to €7.9bn (7.9bn), or 4.0% (4.0%) of our total investments and thus to about the same level as at the start of the year. The volatile market conditions caused us to substantially extend our hedging against falling share prices. At the reporting date, our equity exposure after hedging was only 3.5% (4.4%) of our total investments.

#### Investment result

	Q1-2 2011	Q1-2 2010	Change	Q2 2011	Q2 2010	Change
	€m	€m	%	€m	€m	%
Regular income	4,057	3,918	3.5	2,154	2,036	5.8
Write-ups/write-downs	-806	304	-	-669	397	-
Net realised capital gains	640	1,047	-38.9	240	392	-38.8
Other income/expenses	-423	-191	-121.5	-213	-207	-2.9
<b>Total</b>	<b>3,468</b>	<b>5,078</b>	<b>-31.7</b>	<b>1,512</b>	<b>2,618</b>	<b>-42.2</b>

#### Investment result by type of investment

	Q1-2 2011	Q1-2 2010	Change	Q2 2011	Q2 2010	Change
	€m	€m	%	€m	€m	%
Real estate	174	157	10.8	102	104	-1.9
Investments in affiliated companies	252	44	472.7	254	-	-
Investments in associates	50	33	51.5	43	19	126.3
Mortgage loans and other loans	1,094	1,095	-0.1	559	555	0.7
Other securities	2,101	3,754	-44.0	630	2,049	-69.3
Deposits retained on assumed reinsurance, and other investments	133	106	25.5	88	53	66.0
Investments for the benefit of life insurance policyholders who bear the investment risk	-123	91	-	-50	-56	10.7
Expenses for the management of investments, other expenses	213	202	5.4	114	106	7.5
<b>Total</b>	<b>3,468</b>	<b>5,078</b>	<b>-31.7</b>	<b>1,512</b>	<b>2,618</b>	<b>-42.2</b>

We hold inflation-indexed bonds with a volume of €8.7bn (7.2bn). These offer a certain degree of protection against the risks of future inflation. Investments in inflation swaps (with a nominal amount of €3.3bn), and in real assets such as equities, real estate and commodities, also diversify our portfolio and simultaneously increase the level of protection against the inflation risk.

**Regular income from investments** rose slightly due to higher income from associates and dividend payments.

The **write-ups and write-downs** of our investments for the first half-year contain net valuation adjustments of -€80m (170m) on our interest-rate hedging instruments. These are used to hedge long-term interest-rate guarantees extended to life insurance

clients against low-interest-rate scenarios. In an environment of rising interest rates, however, we achieve higher regular income from reinvestment, whilst our hedging instruments lose value. We also posted write-downs on our equities portfolio due to the volatile markets and on our portfolio of Greek government securities, as indicated above.

In the period under review, we recorded net **gains on disposal** for our investment portfolio as a whole. A large portion of these came from our fixed-interest portfolio, where we benefited from the disposal of government and corporate bonds. Besides this, we realised gains from the sale of a Group company with a property complex in Singapore and from the restructuring of equities. Losses on disposal mainly involved interest-rate and equity derivatives. The year-on-year reduction in the half-year figures for net gains on disposal is due to the high gains on disposal in the same period last year, which resulted from the sale of corporate bonds whose market values had been increased by the fall in risk spreads.

Also included in investments are securitisations by means of which we pass on or hold underwriting risks via capital-market covers. Regular income or expenditure, realised gains and write-ups/write-downs arising from changes in the value of capital-market covers are shown as a result from derivatives in the investment result. These covers contributed a total of around €230m to the investment result in the period under review. This figure included net write-ups of approximately €200m from a capital-market cover by means of which we transferred insurance risks from a major Japanese primary insurer to the capital market on a parametric basis.

Altogether, Munich Re benefited from its conservative yet active asset management.

#### Assets under management for third parties

				30.6.2011	31.12.2010	Change
				€bn	€bn	%
Third-party investments				9.9	10.2	-2.9
	Q1-2 2011	Q1-2 2010	Change	Q2 2011	Q2 2010	Change
	€m	€m	%	€m	€m	%
Group asset management result	14	31	-54.8	11	19	-42.1

MEAG MUNICH ERGO AssetManagement GmbH (MEAG) 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.

Assets under management for institutional clients outside the Group amounted to €7.9bn (8.1bn). The amount managed by MEAG in private-client business via investment funds totalled €2.0bn (2.1bn).

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, climbed to €30.8bn (30.0bn).

## Prospects

- // Premium income of between €48bn and €50bn expected
- // Positive consolidated result envisaged for the year as a whole
- // Write-downs on Greek securities will burden investment result; return on investment of just under 4% expected

### Limits to forecasting results

There are various reasons why the quarterly results of insurance companies, including Munich Re, are not always a reliable 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-ups or write-downs of investments do not follow a regular pattern. Predictions about the forthcoming development of our Group are based primarily on planning figures, forecasts and expectations, whose realisation we of course cannot guarantee.

### Business environment

The global economy is likely to continue recovering in the second half of 2011. The recent fall in crude oil prices should lessen the inflationary pressure. There nevertheless remain considerable uncertainties, in particular the smouldering debt crisis in the eurozone. Furthermore, there is still a risk of unexpectedly high inflation owing to the expansive monetary policy pursued by many central banks.

We are prepared, in line with a structure to be decided, to make a substantial contribution towards support for Greece provided the other major financial investors, particularly in the eurozone, also make such a contribution within the framework of a binding and verifiable "European convoy".

### Reinsurance

Particularly after major losses of the kind we experienced in the first quarter of the year and owing to the generally heightened risk awareness, reinsurance is a sector that holds considerable promise for the future, with a wide variety of earnings opportunities. Munich Re offers its cedants specialist consulting services and extensive solutions, also for tasks such as balance sheet management, risk modelling and asset-liability management. Reinsurance is an efficient and flexible option for protecting primary insurers from major claims and accumulation burdens or strengthening their capital base in other ways. In addition to this, we devise innovative coverage concepts that go beyond the scope of traditional reinsurance.

If exchange rates remain constant, **gross premiums** in reinsurance should amount to €26bn in 2011.

Life reinsurance continues to offer good growth potential. There is continuing demand for large-volume capital substitute solutions. Opportunities will also emerge from the privatisation trends in provision for old age, long term care and disability, from the need for asset protection, and from the dynamic expansion of the Asian life insurance markets. For 2011, we anticipate gross premiums written of around €9.5bn and a technical result totalling approximately €400m.

We have set ourselves the objective of doubling the value added by new business in life reinsurance in the period 2006 to 2011. On the basis of Market Consistent Embedded Value (MCEV) Principles, this objective corresponds to value added by new business of €330m for 2011. Given the outstanding results of recent years, we are very confident of being able to surpass this goal. We aim to achieve sustained value added by new business in life reinsurance of €450m a year by 2015.

We have decided to return the licence for our Munich Re Life subsidiary in Moscow and close the company. The reasons for our decision are the restrained development of the markets for insurances of the person in the Commonwealth of Independent States and increased risk capital requirements for Russian reinsurers.

In the renewals of reinsurance treaties in property-casualty business, Munich Re is maintaining its clear, profit-oriented underwriting policy and accepts risks only at commensurate prices, terms and conditions.

The renewals at 1 July 2011, with a volume of approximately €1.6bn – some 15% of our total treaty business – mainly involve parts of the US market, Australia and Latin America as well as business with global clients. We were able to improve our premium income and further optimise the quality of our portfolio. Price trends varied. In the markets currently affected by losses, we were able to achieve significant price increases for natural catastrophe covers: in Australia and New Zealand prices rose by an average 40–50%. In natural catastrophe business in the USA and Latin America, we also realised rate increases (10% on average). In the rest of the portfolio, prices remained stable.

For 2011, we anticipate gross premiums written of just over €16bn in property-casualty reinsurance. We envisage a combined ratio of around 97% of net earned premiums over the market cycle as a whole, but this figure is likely to be significantly exceeded in 2011, since our long-term estimate is based on an average major-loss burden of 6.5 percentage points from natural catastrophes. The first half of 2011, however, was already affected by very severe losses, which in relation to the expected net premiums for the year as a whole accounted for approximately 22 percentage points of the loss ratio.

Owing to the high cost burdens from natural catastrophes in the first six months of 2011, we therefore project an appreciably lower annual result for property-casualty reinsurance than in the previous year, even if performance from now on is good.

## Primary insurance

For 2011, we expect premium development in the individual segments of primary insurance to be varied. Premium income is likely to remain stable overall.

**Total premium income** in primary insurance should range between €19bn and €20bn in 2011. We expect that gross premiums written will total between €17bn and €18bn.

In **life insurance**, our total premium income should be slightly below the previous year's level, i.e. just under €8bn, while gross premiums written should total around €6bn. In this forecast, it should be borne in mind that developments in German and international business strongly depend on single-premium business; in the first half of 2011, we wrote less business owing to interest-rate developments and not always satisfactory profitability expectations.

The financial and political environment in the **health insurance** segment remains challenging. On the premium side, we are aiming for an increase in gross premiums written to just under €6bn. We should be able to achieve premium growth in both comprehensive health insurance and supplementary health cover.

We expect premium volume in **property-casualty insurance** to expand to a little over €5.5bn. In Germany, we project growth at market level. The increase will probably even be somewhat higher for international business. We anticipate that the combined ratio for property-casualty business will remain at the good level of under 95%.

Overall, we will need to keep a close eye on whether and how the ongoing negative reports on ERGO in the German media affect our business. As yet, no clear trends are apparent.

The **consolidated result** for the primary insurance segment will be significantly affected by the write-downs on Greek securities and is expected to be at around the same level as last year. For the ERGO subgroup, we project a figure of between €450m and €550m.

On 3 May 2011, in civil proceedings instituted by a common interest group, the Hamburg regional court ordered the insurers in the case to refrain, when concluding new contracts and in processing existing contracts, from applying clauses relating to premium payment in instalments over the year unless they simultaneously quote the relevant effective annual interest rate for the extra charges. On 10 May 2011, in the same matter, the Hamburg regional court upheld the suit filed against ERGO Lebensversicherung AG, Hamburg. An appeal against this decision has been filed with the Hanseatic Higher Regional Court. ERGO continues to assess the consequences of this suit as insignificant.

## Munich Health

There are many growth avenues in the international healthcare markets, in particular due to medical advances and improved life expectancy. We intend to take advantage of these opportunities.

Gross premiums written by Munich Health are likely to amount to around €6bn in 2011.

Large-volume capital substitute solutions and the acquisition of Windsor will provide for a continuation of past growth. Despite the financial crisis and the consolidating phase in primary insurance, we are currently expecting a significant improvement on the 2010 result of €63m.

## Munich Re (Group)

For the Group, we are proceeding on the assumption that gross premiums written for 2011 will be in the range of €48–50bn (total consolidated premium), provided that exchange rates remain stable.

We do not anticipate any significant rise in capital-market interest rates, so regular income from fixed-interest securities and loans should be somewhat lower. With our historically still low equity-backing ratio, write-downs are likely to be relatively moderate, but so are the opportunities to realise gains on disposal. Our investment result was burdened by €703m from the impairment of our portfolio of Greek government securities in the second quarter of 2011. From today's standpoint, we are therefore proceeding on the assumption that investment results will be appreciably lower than in 2010, with a total return of just under 4% on the portfolio.

For our overall result, we are adhering to our long-term objective of a 15% return on our risk-adjusted capital (RORAC) after tax across the cycle of the insurance and interest-rate markets. However, this target will be difficult to achieve with the currently still low level of interest rates and should be beyond reach for 2011 given the already substantial claims burden from major losses. As soon as the requirements of Solvency II and the new IFRSs for insurance contracts and financial instruments have been finalised, we will gear our target performance measures to the key indicators from this new framework with its strong economic focus.

Owing to the high losses in the first half of the year, our original targets of a slightly improved technical result and a consolidated result of around €2.4bn can no longer be achieved. Nevertheless, we expect to close the year 2011 with a profit.

In Munich Reinsurance Company's individual financial statements prepared under the German Commercial Code, fluctuations in loss incidence are smoothed over time through allocations to and withdrawals from the claims equalisation provision. That is why the unusually large losses in the first quarter of 2011 will only be reflected to a relatively small extent in its annual result and equity. On the one hand, this maintains Munich Reinsurance Company's dividend-paying capacity after a difficult financial year such as 2011; on the other hand, in the following years it will lead to phased burdens on the result and equity for replenishing the claims equalisation provision.



The [share buy-back programme](#) decided on by us in May 2010 was concluded as planned on 12 April 2011. As part of this programme, we had bought back a total of 9.1 million Munich Re shares with a volume of €1bn. The shares were retired on 20 April 2011. Since 2005, we have returned a total of around €12bn, including dividend payouts, to our shareholders.

Subject to developments in the capital markets and the general economic environment, we intended to buy back more shares with a volume of up to €500m by the 2012 Annual General Meeting. In view of the high claims burdens triggered by the severe natural catastrophes especially in the first quarter and the ensuing market opportunities, we will refrain from buying back further shares for the moment.

Beyond this, the statements relating to opportunities and risks as presented in the Munich Re Group's Annual Report 2010 apply unchanged.

# Interim consolidated financial statements

## Consolidated balance sheet as at 30 June 2011

## Assets

	30.6.2011			31.12.2010	Change	
	€m	€m	€m	€m	€m	%
<b>A. Intangible assets</b>						
I. Goodwill		3,361		3,453	-92	-2.7
II. Other intangible assets		1,567		1,633	-66	-4.0
			<b>4,928</b>	<b>5,086</b>	<b>-158</b>	<b>-3.1</b>
<b>B. Investments</b>						
I. Land and buildings, including buildings on third-party land		3,965		4,247	-282	-6.6
II. Investments in affiliated companies and associates		993		1,091	-98	-9.0
Thereof:						
Associates accounted for using the equity method		766		870	-104	-12.0
III. Loans		49,414		48,935	479	1.0
IV. Other securities						
1. Held to maturity	20			42	-22	-52.4
2. Available for sale	118,717			122,123	-3,406	-2.8
Thereof:						
Held for sale	45			-	45	-
3. At fair value through profit or loss	1,676			1,612	64	4.0
		120,413		123,777	-3,364	-2.7
V. Deposits retained on assumed reinsurance		10,239		6,902	3,337	48.3
VI. Other investments		3,565		3,199	366	11.4
			<b>188,589</b>	<b>188,151</b>	<b>438</b>	<b>0.2</b>
<b>C. Investments for the benefit of life insurance policyholders who bear the investment risk</b>			<b>5,136</b>	<b>4,957</b>	<b>179</b>	<b>3.6</b>
<b>D. Ceded share of technical provisions</b>			<b>5,535</b>	<b>5,490</b>	<b>45</b>	<b>0.8</b>
Thereof:						
Held for sale			12	-	12	-
<b>E. Receivables</b>						
I. Current tax receivables		529		492	37	7.5
II. Other receivables		10,676		10,576	100	0.9
			<b>11,205</b>	<b>11,068</b>	<b>137</b>	<b>1.2</b>
<b>F. Cash at bank, cheques and cash in hand</b>			<b>3,055</b>	<b>2,900</b>	<b>155</b>	<b>5.3</b>
<b>G. Deferred acquisition costs</b>						
Gross		9,269		9,165	104	1.1
Ceded share		51		72	-21	-29.2
Net			9,218	9,093	125	1.4
<b>H. Deferred tax assets</b>			<b>6,369</b>	<b>5,959</b>	<b>410</b>	<b>6.9</b>
<b>I. Other assets</b>			<b>3,505</b>	<b>3,654</b>	<b>-149</b>	<b>-4.1</b>
<b>Total assets</b>			<b>237,540</b>	<b>236,358</b>	<b>1,182</b>	<b>0.5</b>

## Consolidated balance sheet

### Equity and liabilities

		30.6.2011	31.12.2010		Change
	€m	€m	€m	€m	%
<b>A. Equity</b>					
I. Issued capital and capital reserve	7,388		7,388	-	-
II. Retained earnings	11,764		10,735	1,029	9.6
III. Other reserves	1,117		2,238	-1,121	-50.1
IV. Consolidated result attributable to Munich Reinsurance Company equity holders	-211		2,422	-2,633	-
V. Non-controlling interests	250		245	5	2.0
		<b>20,308</b>	<b>23,028</b>	<b>-2,720</b>	<b>-11.8</b>
<b>B. Subordinated liabilities</b>		<b>4,614</b>	<b>4,847</b>	<b>-233</b>	<b>-4.8</b>
<b>C. Gross technical provisions</b>					
I. Unearned premiums	8,499		7,879	620	7.9
Thereof:					
Held for sale	23		-	23	-
II. Provision for future policy benefits	108,626		104,413	4,213	4.0
III. Provision for outstanding claims	51,187		49,501	1,686	3.4
Thereof:					
Held for sale	13		-	13	-
IV. Other technical provisions	8,953		9,555	-602	-6.3
		<b>177,265</b>	<b>171,348</b>	<b>5,917</b>	<b>3.5</b>
<b>D. Gross technical provisions for life insurance policies where the investment risk is borne by the policyholders</b>		<b>5,405</b>	<b>5,210</b>	<b>195</b>	<b>3.7</b>
<b>E. Other accrued liabilities</b>		<b>3,156</b>	<b>3,458</b>	<b>-302</b>	<b>-8.7</b>
<b>F. Liabilities</b>					
I. Bonds and notes issued	268		290	-22	-7.6
II. Deposits retained on ceded business	2,801		2,762	39	1.4
III. Current tax liabilities	3,314		3,253	61	1.9
IV. Other liabilities	12,111		13,103	-992	-7.6
		<b>18,494</b>	<b>19,408</b>	<b>-914</b>	<b>-4.7</b>
<b>G. Deferred tax liabilities</b>		<b>8,298</b>	<b>9,059</b>	<b>-761</b>	<b>-8.4</b>
<b>Total equity and liabilities</b>		<b>237,540</b>	<b>236,358</b>	<b>1,182</b>	<b>0.5</b>

# Consolidated income statement for the period 1 January to 30 June 2011

## Items

	Q1-2 2011			Q1-2 2010		Change
	€m	€m	€m	€m	€m	%
<b>Gross premiums written</b>	<b>24,949</b>			<b>22,613</b>	<b>2,336</b>	<b>10.3</b>
<b>1. Earned premiums</b>						
Gross	23,991			21,958	2,033	9.3
Ceded	746			880	-134	-15.2
Net		23,245		21,078	2,167	10.3
<b>2. Income from technical interest</b>		<b>2,570</b>		<b>3,488</b>	<b>-918</b>	<b>-26.3</b>
<b>3. Expenses for claims and benefits</b>						
Gross	22,148			19,118	3,030	15.8
Ceded share	639			566	73	12.9
Net		21,509		18,552	2,957	15.9
<b>4. Operating expenses</b>						
Gross	5,794			5,562	232	4.2
Ceded share	162			225	-63	-28.0
Net		5,632		5,337	295	5.5
<b>5. Technical result (1-4)</b>			<b>-1,326</b>	<b>677</b>	<b>-2,003</b>	<b>-</b>
<b>6. Investment result</b>						
Investment income	7,349			7,230	119	1.6
Investment expenses	3,881			2,152	1,729	80.3
Total		<b>3,468</b>		<b>5,078</b>	<b>-1,610</b>	<b>-31.7</b>
Thereof:						
Income from associates accounted for using the equity method		49		33	16	48.5
<b>7. Other operating income</b>		<b>351</b>		<b>347</b>	<b>4</b>	<b>1.2</b>
<b>8. Other operating expenses</b>		<b>360</b>		<b>396</b>	<b>-36</b>	<b>-9.1</b>
<b>9. Deduction of income from technical interest</b>		<b>-2,570</b>		<b>-3,488</b>	<b>918</b>	<b>26.3</b>
<b>10. Non-technical result (6-9)</b>			<b>889</b>	<b>1,541</b>	<b>-652</b>	<b>-42.3</b>
<b>11. Operating result</b>			<b>-437</b>	<b>2,218</b>	<b>-2,655</b>	<b>-</b>
<b>12. Other non-operating result</b>			<b>-84</b>	<b>-325</b>	<b>241</b>	<b>74.2</b>
<b>13. Impairment losses of goodwill</b>			<b>21</b>	<b>109</b>	<b>-88</b>	<b>-80.7</b>
<b>14. Finance costs</b>			<b>138</b>	<b>145</b>	<b>-7</b>	<b>-4.8</b>
<b>15. Taxes on income</b>			<b>-470</b>	<b>445</b>	<b>-915</b>	<b>-</b>
<b>16. Consolidated result</b>			<b>-210</b>	<b>1,194</b>	<b>-1,404</b>	<b>-</b>
Thereof:						
Attributable to Munich Reinsurance Company equity holders			-211	1,191	-1,402	-
Attributable to non-controlling interests			1	3	-2	-66.7
			€	€	€	%
<b>Earnings per share</b>			<b>-1.18</b>	<b>6.33</b>	<b>-7.51</b>	<b>-</b>

# Consolidated income statement for the period 1 April to 30 June 2011

## Items

	Q2 2011			Q2 2010	Change	
	€m	€m	€m	€m	€m	%
<b>Gross premiums written</b>	<b>11,969</b>			<b>10,956</b>	<b>1,013</b>	<b>9.2</b>
<b>1. Earned premiums</b>						
Gross	11,934			11,348	586	5.2
Ceded	359			423	-64	-15.1
Net		11,575		10,925	650	5.9
<b>2. Income from technical interest</b>		<b>1,147</b>		<b>1,661</b>	<b>-514</b>	<b>-30.9</b>
<b>3. Expenses for claims and benefits</b>						
Gross	9,599			9,476	123	1.3
Ceded share	238			318	-80	-25.2
Net		9,361		9,158	203	2.2
<b>4. Operating expenses</b>						
Gross	2,860			2,977	-117	-3.9
Ceded share	85			88	-3	-3.4
Net		2,775		2,889	-114	-3.9
<b>5. Technical result (1-4)</b>			<b>586</b>	<b>539</b>	<b>47</b>	<b>8.7</b>
<b>6. Investment result</b>						
Investment income	3,755			3,856	-101	-2.6
Investment expenses	2,243			1,238	1,005	81.2
Total		<b>1,512</b>		<b>2,618</b>	<b>-1,106</b>	<b>-42.2</b>
Thereof:						
Income from associates accounted for using the equity method		43		19	24	126.3
<b>7. Other operating income</b>		<b>166</b>		<b>166</b>	<b>-</b>	<b>-</b>
<b>8. Other operating expenses</b>		<b>170</b>		<b>214</b>	<b>-44</b>	<b>-20.6</b>
<b>9. Deduction of income from technical interest</b>		<b>-1,147</b>		<b>-1,661</b>	<b>514</b>	<b>30.9</b>
<b>10. Non-technical result (6-9)</b>			<b>361</b>	<b>909</b>	<b>-548</b>	<b>-60.3</b>
<b>11. Operating result</b>			<b>947</b>	<b>1,448</b>	<b>-501</b>	<b>-34.6</b>
<b>12. Other non-operating result</b>			<b>2</b>	<b>-182</b>	<b>184</b>	<b>-</b>
<b>13. Impairment losses of goodwill</b>			<b>-</b>	<b>109</b>	<b>-109</b>	<b>-100.0</b>
<b>14. Finance costs</b>			<b>69</b>	<b>76</b>	<b>-7</b>	<b>-9.2</b>
<b>15. Taxes on income</b>			<b>142</b>	<b>372</b>	<b>-230</b>	<b>-61.8</b>
<b>16. Consolidated result</b>			<b>738</b>	<b>709</b>	<b>29</b>	<b>4.1</b>
Thereof:						
Attributable to Munich Reinsurance Company equity holders			736	709	27	3.8
Attributable to non-controlling interests			2	-	2	-
			€	€	€	%
<b>Earnings per share</b>			<b>4.14</b>	<b>3.80</b>	<b>0.34</b>	<b>8.9</b>

## Consolidated income statement (quarterly breakdown)

### Items

	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010
	€m	€m	€m	€m	€m	€m
<b>Gross premiums written</b>	<b>11,969</b>	<b>12,980</b>	<b>11,481</b>	<b>11,447</b>	<b>10,956</b>	<b>11,657</b>
<b>1. Earned premiums</b>						
Gross	11,934	12,057	11,630	11,367	11,348	10,610
Ceded	359	387	509	491	423	457
Net	11,575	11,670	11,121	10,876	10,925	10,153
<b>2. Income from technical interest</b>	<b>1,147</b>	<b>1,423</b>	<b>1,276</b>	<b>1,823</b>	<b>1,661</b>	<b>1,827</b>
<b>3. Expenses for claims and benefits</b>						
Gross	9,599	12,549	9,112	9,517	9,476	9,642
Ceded share	238	401	389	209	318	248
Net	9,361	12,148	8,723	9,308	9,158	9,394
<b>4. Operating expenses</b>						
Gross	2,860	2,934	3,269	2,714	2,977	2,585
Ceded share	85	77	98	108	88	137
Net	2,775	2,857	3,171	2,606	2,889	2,448
<b>5. Technical result (1-4)</b>	<b>586</b>	<b>-1,912</b>	<b>503</b>	<b>785</b>	<b>539</b>	<b>138</b>
<b>6. Investment result</b>						
Investment income	3,755	3,594	3,072	3,364	3,856	3,374
Investment expenses	2,243	1,638	1,711	1,161	1,238	914
Total	<b>1,512</b>	<b>1,956</b>	<b>1,361</b>	<b>2,203</b>	<b>2,618</b>	<b>2,460</b>
Thereof:						
Income from associates accounted for using the equity method	43	6	-7	25	19	14
<b>7. Other operating income</b>	<b>166</b>	<b>185</b>	<b>279</b>	<b>181</b>	<b>166</b>	<b>181</b>
<b>8. Other operating expenses</b>	<b>170</b>	<b>190</b>	<b>256</b>	<b>197</b>	<b>214</b>	<b>182</b>
<b>9. Deduction of income from technical interest</b>	<b>-1,147</b>	<b>-1,423</b>	<b>-1,276</b>	<b>-1,823</b>	<b>-1,661</b>	<b>-1,827</b>
<b>10. Non-technical result (6-9)</b>	<b>361</b>	<b>528</b>	<b>108</b>	<b>364</b>	<b>909</b>	<b>632</b>
<b>11. Operating result</b>	<b>947</b>	<b>-1,384</b>	<b>611</b>	<b>1,149</b>	<b>1,448</b>	<b>770</b>
<b>12. Other non-operating result</b>	<b>2</b>	<b>-86</b>	<b>-229</b>	<b>100</b>	<b>-182</b>	<b>-143</b>
<b>13. Impairment losses of goodwill</b>	<b>-</b>	<b>21</b>	<b>-</b>	<b>-</b>	<b>109</b>	<b>-</b>
<b>14. Finance costs</b>	<b>69</b>	<b>69</b>	<b>74</b>	<b>74</b>	<b>76</b>	<b>69</b>
<b>15. Taxes on income</b>	<b>142</b>	<b>-612</b>	<b>-167</b>	<b>414</b>	<b>372</b>	<b>73</b>
<b>16. Consolidated result</b>	<b>738</b>	<b>-948</b>	<b>475</b>	<b>761</b>	<b>709</b>	<b>485</b>
Thereof:						
Attributable to Munich Reinsurance Company equity holders	736	-947	467	764	709	482
Attributable to non-controlling interests	2	-1	8	-3	-	3
	€	€	€	€	€	€
<b>Earnings per share</b>	<b>4.14</b>	<b>-5.28</b>	<b>2.58</b>	<b>4.15</b>	<b>3.80</b>	<b>2.54</b>

## Statement of recognised income and expense for the period 1 January to 30 June 2011

€m	Q1-2 2011	Q1-2 2010
<b>Consolidated result</b>	<b>-210</b>	<b>1,194</b>
Currency translation		
Gains (losses) recognised in equity	-792	1,512
Recognised in the consolidated income statement	-	-
Unrealised gains and losses on investments		
Gains (losses) recognised in equity	110	1,317
Recognised in the consolidated income statement	-448	-756
Change resulting from valuation at equity		
Gains (losses) recognised in equity	8	1
Recognised in the consolidated income statement	-	-
Change resulting from cash flow hedges		
Gains (losses) recognised in equity	-1	-3
Recognised in the consolidated income statement	5	-
Actuarial gains and losses on defined benefit plans	31	12
Other changes	-1	2
<b>Income and expense recognised directly in equity</b>	<b>-1,088</b>	<b>2,085</b>
<b>Total recognised income and expense</b>	<b>-1,298</b>	<b>3,279</b>
Thereof:		
Attributable to Munich Reinsurance Company equity holders	-1,294	3,261
Attributable to non-controlling interests	-4	18

## Statement of recognised income and expense for the period 1 April to 30 June 2011

€m	Q2 2011	Q2 2010
<b>Consolidated result</b>	<b>738</b>	<b>709</b>
Currency translation		
Gains (losses) recognised in equity	-235	989
Recognised in the consolidated income statement	-	-
Unrealised gains and losses on investments		
Gains (losses) recognised in equity	478	562
Recognised in the consolidated income statement	-79	-360
Change resulting from valuation at equity		
Gains (losses) recognised in equity	-13	5
Recognised in the consolidated income statement	-	-
Change resulting from cash flow hedges		
Gains (losses) recognised in equity	-	-2
Recognised in the consolidated income statement	5	-
Actuarial gains and losses on defined benefit plans	40	10
Other changes	1	9
<b>Income and expense recognised directly in equity</b>	<b>197</b>	<b>1,213</b>
<b>Total recognised income and expense</b>	<b>935</b>	<b>1,922</b>
Thereof:		
Attributable to Munich Reinsurance Company equity holders	936	1,915
Attributable to non-controlling interests	-1	7

## Group statement of changes in equity

	Issued capital	Capital reserve	
€m			
<b>Status at 31.12.2009</b>	<b>588</b>	<b>6,800</b>	
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	-	-	
<b>Status at 30.6.2010</b>	<b>588</b>	<b>6,800</b>	
<b>Status at 31.12.2010</b>	<b>588</b>	<b>6,800</b>	
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	-	-	
<b>Status at 30.6.2011</b>	<b>588</b>	<b>6,800</b>	



Group statement of changes in equity

Equity attributable to Munich Reinsurance Company equity holders						Non-controlling interests	Total equity
Retained earnings		Other reserves				Consolidated result	
Retained earnings before deduction of own shares	Own shares held	Unrealised gains and losses	Reserve from currency translation	Valuation result from cash flow hedges			
<b>11,247</b>	<b>-580</b>	<b>2,717</b>	<b>-1,245</b>	<b>1</b>	<b>2,521</b>	<b>229</b>	<b>22,278</b>
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	-	-	-	-	-	-
<b>11,706</b>	<b>-311</b>	<b>3,271</b>	<b>261</b>	<b>-2</b>	<b>1,191</b>	<b>245</b>	<b>23,749</b>
<b>11,581</b>	<b>-846</b>	<b>2,850</b>	<b>-610</b>	<b>-2</b>	<b>2,422</b>	<b>245</b>	<b>23,028</b>
1,312	-	-	-	-	-1,312	-	-
-	-	-	-	-	-211	1	-210
38	-	-332	-793	4	-	-5	-1,088
-	-	-	-793	-	-	1	-792
-	-	-335	-	-	-	-3	-338
5	-	3	-	-	-	-	8
-	-	-	-	4	-	-	4
28	-	-	-	-	-	3	31
5	-	-	-	-	-	-6	-1
38	-	-332	-793	4	-211	-4	-1,298
1	-	-	-	-	-	-1	-
1	-	-	-	-	-	15	16
-	-	-	-	-	-1,110	-5	-1,115
-	-323	-	-	-	-	-	-323
-999	999	-	-	-	-	-	-
<b>11,934</b>	<b>-170</b>	<b>2,518</b>	<b>-1,403</b>	<b>2</b>	<b>-211</b>	<b>250</b>	<b>20,308</b>

## Condensed consolidated cash flow statement for the period from 1 January to 30 June 2011

€m	Q1-2 2011	Q1-2 2010
<b>Consolidated result</b>	<b>-210</b>	<b>1,194</b>
Net change in technical provisions	7,460	6,386
Change in deferred acquisition costs	-126	-589
Change in deposits retained and accounts receivable and payable	-3,254	-100
Change in other receivables and liabilities	-682	702
Gains and losses on the disposal of investments	-640	-1,047
Change in securities held for trading	-570	-341
Change in other balance sheet items	-121	-51
Other income and expenses without impact on cash flow	1,081	-1,037
I. Cash flows from operating activities	2,938	5,117
Change from losing control of consolidated subsidiaries	446	2
Change from obtaining control of consolidated subsidiaries	-127	-
Change from the acquisition, sale and maturities of other investments	244	-2,416
Change from the acquisition and sale of investments for unit-linked life insurance	-301	-387
Other	49	-91
II. Cash flows from investing activities	311	-2,892
Inflows from increase in capital and from non-controlling interests	-	-
Outflows to ownership interests and non-controlling interests	345	733
Dividend payments	1,115	1,074
Change from other financing activities	-1,559	-236
III. Cash flows from financing activities	-3,019	-2,043
<b>Cash flows for the financial year (I + II + III)</b>	<b>230</b>	<b>182</b>
Effect of exchange rate changes on cash	-75	121
Cash at the beginning of the financial year	2,900	3,082
Cash at 30 June of the financial year	3,055	3,385

## Selected notes to the consolidated financial statements

### Recognition and measurement

This half-year financial report as at 30 June 2011 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 Munich Re for the first time for periods beginning on 1 January 2011.

In particular the following standards and interpretations have been adopted or amended:

The revision of [IAS 24 \(rev. 11/2009\), Related Party Disclosures](#), simplifies the disclosure requirements for state-controlled entities. Certain related parties that result from the participation of the state in private companies are exempted from some of the disclosure requirements of IAS 24 specified in the amended standard. In addition, the overall definition of related parties has been revised. These changes are of subordinate importance for Munich Re.

The changes to [IAS 32 \(rev. 10/2009\), Financial Instruments: Presentation](#), provide for certain subscription rights (also options or warrants) denominated in a foreign currency (i.e. a currency other than the entity's functional currency) to be classified as equity and not as a liability by the issuer to whose equity instruments these rights apply. The amendments are of no relevance for Munich Re.

The amended interpretation [IFRIC 14 \(rev. 11/2009\), IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction](#), applies in the circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits the entity to treat the benefit of such an early payment as an asset. This change has no practical significance for Munich Re.

The new interpretation [IFRIC 19 \(11/2009\), Extinguishing Financial Liabilities with Equity Instruments](#), contains guidelines on how financial liabilities are to be accounted for in accordance with IAS 39 if the creditor accepts the entity's shares or other equity instruments to settle these liabilities fully or partially. For Munich Re, the interpretation is currently of no significance.

The changes published as part of the IASB's [Annual Improvement Process](#) in May 2010 concern eleven IFRSs and the interpretation IFRIC 13. With the exception of the change to IAS 34, Interim Financial Reporting, these are not significant for Munich Re. The change to IAS 34 extends disclosure requirements in the notes to the financial statements. Of particular relevance is that significant transfers between levels of the fair value hierarchy for financial instruments now have to be published in interim financial statements as well. Munich Re has put in place a process to ensure that such transfers are made transparent and can be disclosed in interim reports where necessary.

Otherwise, the same principles of recognition, measurement and consolidation have been applied as in our consolidated financial statements as at 31 December 2010. 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. To determine the allocation to the provision for premium refunds during the year, the latest expected ratio of surplus distribution to unadjusted result after tax is applied to unadjusted earnings at the end of the quarter. This change in estimation only affects the distribution of the allocation to the provision for premium refunds between quarters and not the amount of the allocation for the financial year as a whole. 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 2010, i.e. a direct tax calculation is made per quarterly result of the individual consolidated companies.

### Changes in the consolidated group

On 1 January 2011, through its subsidiary Munich Health North America Inc., Wilmington, Delaware, Munich Re acquired 100% of the shares in the Windsor Health Group Inc. (Windsor), Brentwood, Tennessee, for a total of US\$ 131.5m (€98.0m) in cash, fully financed from our own resources.

Windsor operates government-sponsored health plans for the senior segment through its subsidiary Windsor Health Plan, Inc., Brentwood, Tennessee, which provides specialty managed healthcare services in the senior segment to more than 75,000 members in the US states of Alabama, Arkansas, Mississippi, South Carolina and Tennessee. The acquisition of Windsor strengthens the position of our US subsidiary Sterling Life Insurance Company, Bellingham, Washington State, in the senior segment by sharpening our competitive edge for the challenges of the US health reform.

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

In connection with the acquisition of Windsor, other intangible assets of €46.6m and goodwill of €38.1m have been recognised. The goodwill derives in particular from synergies with the rest of Munich Re's Medicare business as regards products and services offered, geographical spread and distribution channels. The goodwill includes the value assigned to Windsor's staff. We are proceeding on the assumption that the goodwill will not be tax-deductible.

Windsor's combined opening balance sheet at the time of acquisition, after elimination of its intra-group business, also includes the following provisional IFRS figures: investments of €9.0m, cash at banks, cheques and cash in hand of €29.5m, receivables of €24.7m, deferred tax assets of €6.5m and other asset items of €13.3m, technical provisions of €29.4m, and other provisions and liabilities of €22.0m, and deferred taxes of €18.3m. Windsor's equity at the time of acquisition amounted to €31.0m.

The acquired receivables consist mainly of amounts payable by Centers for Medicare and Medicaid Services (CMS), from which Windsor receives its premiums. At the time of acquisition, these receivables amounted to €13.4m. This represents the fair value, as we do not expect any defaults from CMS, given that it is a federal agency.

No contingent liabilities, contingent payments or separate transactions within the meaning of IFRS 3 were identified. The income and expenses for the months of January to June 2011 have been recognised in the consolidated income statement. In this period, Windsor contributed €6.0m to the consolidated result.

As Windsor was acquired with effect from 1 January 2011, the amounts included in the consolidated result for the first half-year tally with the figures since the commencement of the current financial year.

The provisional figures for Windsor were adjusted in the first quarter owing to the still ongoing determination of the tax impact. The adjustments mainly involve an increase of €6.5m in the deferred tax assets. Altogether, there was a decrease of €7.6m in goodwill.

With economic effect from 1 January 2011, via its subsidiary MR RENT-Investment GmbH, Munich, Munich Re acquired 100% of the voting shares in 11 wind park companies in a bidding process. The wind park portfolio comprises 11 wind parks already operating in various regions of Germany with a total of 40 wind turbines and an output of 72.7 MW.

Through a purchase and share transfer contract and an agreement on the change of general partner, MR RENT-Investment GmbH, Munich, acquired from wpd windpark asset GmbH & Co. KG, Bremen, all the limited partner shares in each of the following limited partnerships:

- Windpark Mittelhausen GmbH & Co. KG, Bremen
- Windpark Sassenberg GmbH & Co. KG, Bremen
- Einzelanlage Hohenseefeld GmbH & Co. KG, Bremen
- wpd Windpark Wergzahna GmbH & Co. KG, Bremen
- Windpark Hillmersdorf GmbH & Co. KG, Bremen
- Windpark Marwitz GmbH & Co. KG, Bremen
- Windpark Großberndten 2 GmbH & Co. KG, Bremen
- Windpark Krüge GmbH & Co. KG, Bremen
- Windpark Geisleden Betriebs GmbH & Co. KG, Bremen
- Windpark Klein Bünzow GmbH & Co. KG, Bremen
- Windpark Langengrassau GmbH & Co. KG, Bremen

MR-RENT Management GmbH, Munich, also a subsidiary of Munich Re, became the new general partner in the limited partnerships. The acquisition is part of the RENT programme (Renewable Energy and New Technologies), through which Munich Re plans to invest in renewable energies and new technologies.

The provisional purchase price for the wind park portfolio is €40.5m in cash and will be fully financed from our own resources. The purchase price contains various contingent components. At the reporting date, possible adjustments to the purchase price due to lack of system service capability or additional or fewer downtimes were still open. There were no significant impacts on the result from adjustments to the purchase price made in the period under review.

The provisional IFRS figures for the acquired assets and liabilities of the wind park portfolio at the time of acquisition are as follows: intangible assets of €23.8m, investments of €101.7m, other assets of €10.2m, liabilities of €90.7m and other liabilities of €5.4m.

The fair value of the acquired receivables from deliveries and services amounts to €3.6m and corresponds to the gross contract value. No defaults were expected at the time of acquisition. The goodwill of €0.9m arithmetically resulting from the transaction was written off in full after we carried out an impairment test.

The income and expenses for the months of January to June 2011 have been recognised in the consolidated income statement. During this period, the income and expenses in connection with the wind park portfolio almost balanced each other out. As the wind park portfolio was acquired with effect from 1 January 2011, the amounts included in the consolidated result for the first half-year tally with the figures since the commencement of the current financial year.

Via its subsidiary IK Premium Fonds GmbH & Co. KG, Düsseldorf, on the basis of a placement guarantee, Munich Re increased its stake in IDEENKAPITAL Metropolen Europa GmbH & Co. KG, Düsseldorf, on 30 May 2011 by 60.60% for a purchase price of €25.7m. IDEENKAPITAL Metropolen Europa GmbH & Co. KG, Düsseldorf, is a closed real estate fund whose object is to acquire and hold units in the Hines Pan-European Core Fund. Following the acquisition, Munich Re now holds 60.61% of the shares. As the accounting for this transaction is not yet final, the figures shown at the reporting date are still provisional.

### 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

Rate for €1	Balance sheet		Income statement			
	30.6.2011	31.12.2010	Q2 2011	Q1 2011	Q2 2010	Q1 2010
Australian dollar	1.35420	1.30875	1.35471	1.36117	1.44180	1.53014
Canadian dollar	1.39925	1.33300	1.39349	1.34905	1.30782	1.43929
Pound sterling	0.90305	0.85685	0.88272	0.85434	0.85292	0.88760
Rand	9.82855	8.87535	9.77872	9.56836	9.60159	10.38680
Swiss franc	1.22080	1.25045	1.25180	1.28747	1.40842	1.46288
US dollar	1.44985	1.34155	1.43956	1.36872	1.27292	1.38356
Yen	117.0900	108.8060	117.3950	112.5780	117.2940	125.5380



## Segment reporting

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

We have consequently identified seven segments to be reported:

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

### Segment assets

	Reinsurance					
	Life		Property-casualty		Life	
€m	30.6. 2011	31.12. 2010	30.6. 2011	31.12. 2010	30.6. 2011	31.12. 2010
<b>A. Intangible assets</b>	<b>154</b>	<b>168</b>	<b>1,816</b>	<b>1,969</b>	<b>1,142</b>	<b>1,162</b>
<b>B. Investments</b>						
I. Land and buildings, including buildings on third-party land	255	267	1,174	1,178	1,743	1,760
II. Investments in affiliated companies and associates	1,239	1,274	5,452	5,418	360	406
Thereof:						
Associates accounted for using the equity method	58	58	299	295	101	179
III. Loans	168	339	740	1,436	32,945	32,708
IV. Other securities						
1. Held to maturity	-	-	-	-	20	42
2. Available for sale	12,131	12,879	47,320	50,529	36,945	37,695
Thereof:						
Held for sale	-	-	45	-	-	-
3. At fair value through profit or loss	354	331	740	603	512	617
	12,485	13,210	48,060	51,132	37,477	38,354
V. Deposits retained on assumed reinsurance	9,345	6,121	1,539	1,500	147	137
VI. Other investments	360	457	1,594	1,333	1,108	624
	<b>23,852</b>	<b>21,668</b>	<b>58,559</b>	<b>61,997</b>	<b>73,780</b>	<b>73,989</b>
<b>C. Investments for the benefit of life insurance policyholders who bear the investment risk</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,135</b>	<b>4,953</b>
<b>D. Ceded share of technical provisions</b>	<b>1,047</b>	<b>987</b>	<b>2,364</b>	<b>2,396</b>	<b>2,968</b>	<b>2,936</b>
Thereof:						
Held for sale	-	-	12	-	-	-
<b>E. Other segment assets</b>	<b>5,644</b>	<b>5,631</b>	<b>10,450</b>	<b>10,183</b>	<b>8,925</b>	<b>9,085</b>
<b>Total segment assets</b>	<b>30,697</b>	<b>28,454</b>	<b>73,189</b>	<b>76,545</b>	<b>91,950</b>	<b>92,125</b>



Munich Re's primary insurance segments comprise all the activities of the ERGO Insurance Group (ERGO) with the exception of international health primary insurance business, which is handled by Munich Health. Moreover, certain primary insurers whose business requires special solution-finding competence are coupled to reinsurance as the risk carrier. We therefore transact their business from within reinsurance and consequently allocate them to the reinsurance segment.

		Primary insurance		Munich Health		Asset management		Consolidation		Total		
	Health	Property-casualty										
	30.6. 2011	31.12. 2010	30.6. 2011	31.12. 2010	30.6. 2011	31.12. 2010	30.6. 2011	31.12. 2010	30.6. 2011	31.12. 2010	30.6. 2011	31.12. 2010
	688	691	921	955	191	124	20	21	-4	-4	4,928	5,086
	615	623	83	340	31	16	64	63	-	-	3,965	4,247
	291	317	4,086	4,280	71	53	53	59	-10,559	-10,716	993	1,091
	72	107	160	153	53	51	37	42	-14	-15	766	870
	16,437	15,856	2,590	2,482	28	25	-	-	-3,494	-3,911	49,414	48,935
	-	-	-	-	-	-	-	-	-	-	20	42
	12,504	12,428	5,944	5,857	3,474	2,621	399	114	-	-	118,717	122,123
	-	-	-	-	-	-	-	-	-	-	45	-
	45	37	17	12	8	12	-	-	-	-	1,676	1,612
	12,549	12,465	5,961	5,869	3,482	2,633	399	114	-	-	120,413	123,777
	1	1	20	20	1,315	1,251	-	-	-2,128	-2,128	10,239	6,902
	222	87	537	552	207	129	508	780	-971	-763	3,565	3,199
	30,115	29,349	13,277	13,543	5,134	4,107	1,024	1,016	-17,152	-17,518	188,589	188,151
	-	3	-	-	1	1	-	-	-	-	5,136	4,957
	1,053	1,062	902	894	31	30	-	-	-2,830	-2,815	5,535	5,490
	-	-	-	-	-	-	-	-	-	-	12	-
	3,466	3,464	4,389	4,445	2,227	1,919	265	58	-2,014	-2,111	33,352	32,674
	35,322	34,569	19,489	19,837	7,584	6,181	1,309	1,095	-22,000	-22,448	237,540	236,358

## Segment reporting

### Segment equity and liabilities

€m	Reinsurance					
	Life		Property-casualty		Life	
	30.6. 2011	31.12. 2010	30.6. 2011	31.12. 2010	30.6. 2011	31.12. 2010
<b>A. Subordinated liabilities</b>	<b>1,220</b>	<b>1,344</b>	<b>2,748</b>	<b>2,885</b>	<b>104</b>	<b>105</b>
<b>B. Gross technical provisions</b>						
I. Unearned premiums	49	52	5,922	5,669	6	1
Thereof:						
Held for sale	-	-	23	-	-	-
II. Provision for future policy benefits	14,688	11,605	303	317	69,921	69,606
III. Provision for outstanding claims	4,569	4,509	38,914	37,161	1,508	1,510
Thereof:						
Held for sale	-	-	13	-	-	-
IV. Other technical provisions	473	498	31	138	1,631	2,167
	<b>19,779</b>	<b>16,664</b>	<b>45,170</b>	<b>43,285</b>	<b>73,066</b>	<b>73,284</b>
<b>C. Gross technical provisions for life insurance policies where the investment risk is borne by the policyholders</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,404</b>	<b>5,206</b>
<b>D. Other accrued liabilities</b>	<b>142</b>	<b>174</b>	<b>513</b>	<b>623</b>	<b>550</b>	<b>565</b>
<b>E. Other segment liabilities</b>	<b>5,062</b>	<b>5,904</b>	<b>10,186</b>	<b>11,296</b>	<b>9,599</b>	<b>9,300</b>
<b>Total segment liabilities</b>	<b>26,203</b>	<b>24,086</b>	<b>58,617</b>	<b>58,089</b>	<b>88,723</b>	<b>88,460</b>

Selected notes to the consolidated financial statements

		Primary insurance		Munich Health		Asset management		Consolidation		Total		
	Health	Property-casualty										
	30.6. 2011	31.12. 2010	30.6. 2011	31.12. 2010	30.6. 2011	31.12. 2010	30.6. 2011	31.12. 2010	30.6. 2011	31.12. 2010	30.6. 2011	31.12. 2010
	22	23	363	366	217	185	-	-	-60	-61	4,614	4,847
	138	97	2,031	1,691	473	444	-	-	-120	-75	8,499	7,879
	-	-	-	-	-	-	-	-	-	-	23	-
	23,654	22,855	455	443	1,640	1,591	-	-	-2,035	-2,004	108,626	104,413
	908	939	4,901	4,915	951	1,075	-	-	-564	-608	51,187	49,501
	-	-	-	-	-	-	-	-	-	-	13	-
	6,532	6,508	172	182	187	215	-	-	-73	-153	8,953	9,555
	31,232	30,399	7,559	7,231	3,251	3,325	-	-	-2,792	-2,840	177,265	171,348
	-	3	-	-	1	1	-	-	-	-	5,405	5,210
	252	316	1,670	1,776	113	102	38	47	-122	-145	3,156	3,458
	2,158	2,080	5,395	6,037	1,743	1,559	1,165	909	-8,516	-8,618	26,792	28,467
	33,664	32,821	14,987	15,410	5,325	5,172	1,203	956	-11,490	-11,664	217,232	213,330
							Equity			20,308		23,028
							Total equity and liabilities			237,540		236,358

## Segment reporting

### Segment income statement 1.1.–30.6.2011

€m	Reinsurance					
	Life		Property-casualty		Life	
	Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010
<b>Gross premiums written</b>	<b>4,853</b>	<b>3,891</b>	<b>8,473</b>	<b>7,676</b>	<b>2,985</b>	<b>3,123</b>
Thereof:						
From insurance transactions with other segments	65	66	192	196	1	-
From insurance transactions with external third parties	4,788	3,825	8,281	7,480	2,984	3,123
<b>1. Earned premiums</b>						
Gross	4,853	3,955	7,932	7,427	2,986	3,123
Ceded	215	213	348	490	128	133
Net	4,638	3,742	7,584	6,937	2,858	2,990
<b>2. Income from technical interest</b>	<b>356</b>	<b>281</b>	<b>677</b>	<b>683</b>	<b>755</b>	<b>1,751</b>
<b>3. Expenses for claims and benefits</b>						
Gross	3,632	2,796	8,292	5,709	3,206	4,295
Ceded share	87	99	442	378	73	58
Net	3,545	2,697	7,850	5,331	3,133	4,237
<b>4. Operating expenses</b>						
Gross	1,277	1,151	2,325	2,211	518	571
Ceded share	83	78	55	117	27	27
Net	1,194	1,073	2,270	2,094	491	544
Thereof:						
Amortisation and impairment losses of acquired insurance portfolios	6	6	-	-	14	14
<b>5. Technical result (1-4)</b>	<b>255</b>	<b>253</b>	<b>-1,859</b>	<b>195</b>	<b>-11</b>	<b>-40</b>
<b>6. Investment result</b>						
Investment income	1,163	929	3,030	2,633	1,964	2,418
Investment expenses	556	402	1,706	1,003	1,136	385
Total	607	527	1,324	1,630	828	2,033
Thereof:						
Interest and similar income	399	361	797	892	1,525	1,470
Interest charges and similar expenses	10	8	42	44	15	13
Write-downs of investments	283	240	615	262	794	108
Write-ups of investments	254	234	683	343	94	320
Income from associates accounted for using the equity method	9	3	42	15	-2	6
<b>7. Other operating income</b>	<b>34</b>	<b>42</b>	<b>135</b>	<b>158</b>	<b>216</b>	<b>209</b>
Thereof:						
Interest and similar income	9	12	16	27	5	2
Write-ups of other operating assets	8	1	24	3	1	-
<b>8. Other operating expenses</b>	<b>32</b>	<b>32</b>	<b>110</b>	<b>112</b>	<b>242</b>	<b>255</b>
Thereof:						
Interest charges and similar expenses	7	4	10	8	5	5
Write-downs of other operating assets	3	2	9	6	7	13
<b>9. Deduction of income from technical interest</b>	<b>-356</b>	<b>-281</b>	<b>-677</b>	<b>-683</b>	<b>-755</b>	<b>-1,751</b>
<b>10. Non-technical result (6-9)</b>	<b>253</b>	<b>256</b>	<b>672</b>	<b>993</b>	<b>47</b>	<b>236</b>
<b>11. Operating result</b>	<b>508</b>	<b>509</b>	<b>-1,187</b>	<b>1,188</b>	<b>36</b>	<b>196</b>
12. Other non-operating result, finance costs and impairment losses of goodwill	15	-97	-64	-202	-43	-23
<b>13. Taxes on income</b>	<b>200</b>	<b>103</b>	<b>-796</b>	<b>238</b>	<b>4</b>	<b>42</b>
<b>14. Consolidated result</b>	<b>323</b>	<b>309</b>	<b>-455</b>	<b>748</b>	<b>-11</b>	<b>131</b>
Thereof:						
Attributable to Munich Reinsurance Company equity holders	324	309	-452	750	-10	130
Attributable to non-controlling interests	-1	-	-3	-2	-1	1

Selected notes to the consolidated financial statements

		Primary insurance		Munich Health		Asset management		Consolidation		Total	
Health		Property-casualty									
Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010
2,885	2,760	3,078	2,983	3,036	2,555	-	-	-361	-375	24,949	22,613
3	4	23	22	77	87	-	-	-361	-375	-	-
2,882	2,756	3,055	2,961	2,959	2,468	-	-	-	-	24,949	22,613
2,838	2,707	2,715	2,616	2,987	2,469	-	-	-320	-339	23,991	21,958
102	112	263	255	10	16	-	-	-320	-339	746	880
2,736	2,595	2,452	2,361	2,977	2,453	-	-	-	-	23,245	21,078
703	687	79	85	41	46	-	-	-41	-45	2,570	3,488
3,006	2,860	1,714	1,725	2,458	2,005	-	-	-160	-272	22,148	19,118
71	79	150	178	5	9	-	-	-189	-235	639	566
2,935	2,781	1,564	1,547	2,453	1,996	-	-	29	-37	21,509	18,552
297	349	871	840	546	489	-	-	-40	-49	5,794	5,562
23	27	52	57	2	3	-	-	-80	-84	162	225
274	322	819	783	544	486	-	-	40	35	5,632	5,337
3	3	1	-	-	-	-	-	-	-	24	23
230	179	148	116	21	17	-	-	-110	-43	-1,326	677
880	860	679	548	131	105	8	12	-506	-275	7,349	7,230
297	237	161	144	52	16	1	-	-28	-35	3,881	2,152
583	623	518	404	79	89	7	12	-478	-240	3,468	5,078
627	585	164	181	82	61	4	3	-90	-83	3,508	3,470
5	5	9	6	1	1	-	-	-1	-2	81	75
151	33	46	32	19	5	1	-	-	-	1,909	680
43	53	18	21	11	13	-	-	-	-	1,103	984
-2	-2	1	-	-	8	1	3	-	-	49	33
52	63	508	447	43	38	127	129	-764	-739	351	347
1	5	3	1	7	5	3	2	-2	-3	42	51
-	-	1	-	5	-	-	-	-	-	39	4
71	98	583	531	37	38	97	92	-812	-762	360	396
6	22	48	49	4	3	8	5	-36	-28	52	68
2	5	21	10	4	5	-	-	-	-	46	41
-703	-687	-79	-85	-41	-46	-	-	41	45	-2,570	-3,488
-139	-99	364	235	44	43	37	49	-389	-172	889	1,541
91	80	512	351	65	60	37	49	-499	-215	-437	2,218
-20	-31	-141	-195	10	-38	-12	-4	12	11	-243	-579
25	-	48	43	39	6	11	14	-1	-1	-470	445
46	49	323	113	36	16	14	31	-486	-203	-210	1,194
46	49	316	108	36	17	15	31	-486	-203	-211	1,191
-	-	7	5	-	-1	-1	-	-	-	1	3

# Segment reporting

## Segment income statement 1.4.-30.6.2011

€m	Reinsurance					
	Life		Property-casualty		Life	
	Q2 2011	Q2 2010	Q2 2011	Q2 2010	Q2 2011	Q2 2010
<b>Gross premiums written</b>	<b>2,455</b>	<b>2,048</b>	<b>3,978</b>	<b>3,591</b>	<b>1,462</b>	<b>1,554</b>
Thereof:						
From insurance transactions with other segments	31	31	60	60	-	-
From insurance transactions with external third parties	2,424	2,017	3,918	3,531	1,462	1,554
<b>1. Earned premiums</b>						
Gross	2,461	2,117	3,857	3,845	1,464	1,556
Ceded	100	85	168	253	64	65
Net	2,361	2,032	3,689	3,592	1,400	1,491
<b>2. Income from technical interest</b>	<b>205</b>	<b>134</b>	<b>342</b>	<b>351</b>	<b>241</b>	<b>808</b>
<b>3. Expenses for claims and benefits</b>						
Gross	1,947	1,403	2,704	2,857	1,440	2,037
Ceded share	43	51	146	257	39	23
Net	1,904	1,352	2,558	2,600	1,401	2,014
<b>4. Operating expenses</b>						
Gross	597	683	1,158	1,204	266	277
Ceded share	35	15	31	55	13	14
Net	562	668	1,127	1,149	253	263
Thereof:						
Amortisation and impairment losses of acquired insurance portfolios	4	4	-	-	7	7
<b>5. Technical result (1-4)</b>	<b>100</b>	<b>146</b>	<b>346</b>	<b>194</b>	<b>-13</b>	<b>22</b>
<b>6. Investment result</b>						
Investment income	534	543	1,278	1,483	1,051	1,166
Investment expenses	276	290	861	514	782	187
Total	258	253	417	969	269	979
Thereof:						
Interest and similar income	228	169	388	447	768	730
Interest charges and similar expenses	6	4	24	24	8	7
Write-downs of investments	122	198	261	91	609	13
Write-ups of investments	114	187	275	245	63	243
Income from associates accounted for using the equity method	7	-	35	1	-1	6
<b>7. Other operating income</b>	<b>11</b>	<b>17</b>	<b>62</b>	<b>71</b>	<b>105</b>	<b>97</b>
Thereof:						
Interest and similar income	2	2	5	7	4	1
Write-ups of other operating assets	8	1	24	3	1	-
<b>8. Other operating expenses</b>	<b>12</b>	<b>16</b>	<b>57</b>	<b>57</b>	<b>111</b>	<b>118</b>
Thereof:						
Interest charges and similar expenses	5	2	7	5	2	3
Write-downs of other operating assets	3	1	4	4	3	9
<b>9. Deduction of income from technical interest</b>	<b>-205</b>	<b>-134</b>	<b>-342</b>	<b>-351</b>	<b>-241</b>	<b>-808</b>
<b>10. Non-technical result (6-9)</b>	<b>52</b>	<b>120</b>	<b>80</b>	<b>632</b>	<b>22</b>	<b>150</b>
<b>11. Operating result</b>	<b>152</b>	<b>266</b>	<b>426</b>	<b>826</b>	<b>9</b>	<b>172</b>
12. Other non-operating result, finance costs and impairment losses of goodwill	24	-53	20	-105	-28	-11
<b>13. Taxes on income</b>	<b>112</b>	<b>106</b>	<b>-41</b>	<b>195</b>	<b>2</b>	<b>45</b>
<b>14. Consolidated result</b>	<b>64</b>	<b>107</b>	<b>487</b>	<b>526</b>	<b>-21</b>	<b>116</b>
Thereof:						
Attributable to Munich Reinsurance Company equity holders	65	107	490	527	-21	116
Attributable to non-controlling interests	-1	-	-3	-1	-	-

Selected notes to the consolidated financial statements

Primary insurance												Munich Health		Asset management		Consolidation		Total	
Health		Property-casualty																	
	Q2 2011	Q2 2010	Q2 2011	Q2 2010	Q2 2011	Q2 2010	Q2 2011	Q2 2010	Q2 2011	Q2 2010	Q2 2011	Q2 2010	Q2 2011	Q2 2010	Q2 2011	Q2 2010	Q2 2011	Q2 2010	
	1,429	1,346	1,279	1,252	1,500	1,303	-	-	-134	-138	11,969	10,956							
	3	4	12	9	28	34	-	-	-134	-138	-	-							
	1,426	1,342	1,267	1,243	1,472	1,269	-	-	-	-	11,969	10,956							
	1,432	1,362	1,374	1,335	1,492	1,286	-	-	-146	-153	11,934	11,348							
	42	45	126	120	5	8	-	-	-146	-153	359	423							
	1,390	1,317	1,248	1,215	1,487	1,278	-	-	-	-	11,575	10,925							
	319	326	40	42	20	22	-	-	-20	-22	1,147	1,661							
	1,471	1,423	856	852	1,221	1,033	-	-	-40	-129	9,599	9,476							
	24	26	70	73	2	5	-	-	-86	-117	238	318							
	1,447	1,397	786	779	1,219	1,028	-	-	46	-12	9,361	9,158							
	151	171	433	421	276	252	-	-	-21	-31	2,860	2,977							
	12	17	33	33	1	2	-	-	-40	-48	85	88							
	139	154	400	388	275	250	-	-	19	17	2,775	2,889							
	2	2	1	-	-	-	-	-	-	-	14	13							
	123	92	102	90	13	22	-	-	-85	-27	586	539							
	443	470	498	247	65	64	9	6	-123	-123	3,755	3,856							
	210	167	95	91	31	8	1	-	-13	-19	2,243	1,238							
	233	303	403	156	34	56	8	6	-110	-104	1,512	2,618							
	322	301	82	94	41	31	2	1	-49	-37	1,782	1,736							
	3	3	6	4	1	1	-	-	-	-1	48	42							
	124	15	33	23	11	2	1	-	-	-	1,161	342							
	26	41	8	12	6	11	-	-	-	-	492	739							
	-3	-	1	1	-1	8	5	3	-	-	43	19							
	18	32	260	226	19	21	66	69	-375	-367	166	166							
	1	5	3	-	2	1	2	1	-1	-1	18	16							
	-	-	1	-	5	-	-	-	-	-	39	4							
	34	55	289	272	21	21	50	49	-404	-374	170	214							
	3	19	29	23	2	1	5	2	-22	-13	31	42							
	1	2	2	4	2	3	-	-	-	-	15	23							
	-319	-326	-40	-42	-20	-22	-	-	20	22	-1,147	-1,661							
	-102	-46	334	68	12	34	24	26	-61	-75	361	909							
	21	46	436	158	25	56	24	26	-146	-102	947	1,448							
	-5	-24	-88	-155	13	-23	-8	-	5	4	-67	-367							
	7	-10	34	23	23	6	5	7	-	-	142	372							
	9	32	314	-20	15	27	11	19	-141	-98	738	709							
	9	32	307	-21	15	27	12	19	-141	-98	736	709							
	-	-	7	1	-	-	-1	-	-	-	2								

## Segment reporting

### Non-current assets by country<sup>1</sup>

€m	30.6.2011	31.12.2010
Germany	7,761	7,651
USA	1,919	2,024
Austria	461	472
UK	279	296
Sweden	243	247
Netherlands	179	177
France	160	161
Spain	135	136
Poland	135	126
Portugal	99	110
Switzerland	99	96
Italy	73	63
Greece	59	58
Others	240	550
<b>Total</b>	<b>11,842</b>	<b>12,167</b>

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

### Gross premiums written<sup>1</sup>

€m	Reinsurance		Primary insurance		Munich Health		Total	
	Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010
Europe	4,436	4,179	8,826	8,754	790	848	14,052	13,781
North America	5,322	4,653	-	-	1,969	1,309	7,291	5,962
Asia and Australasia	2,250	1,588	90	86	78	187	2,418	1,861
Africa, Near and Middle East	385	374	2	-	118	120	505	494
Latin America	676	511	3	-	4	4	683	515
<b>Total</b>	<b>13,069</b>	<b>11,305</b>	<b>8,921</b>	<b>8,840</b>	<b>2,959</b>	<b>2,468</b>	<b>24,949</b>	<b>22,613</b>

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

### Gross premiums written<sup>1</sup>

€m	Reinsurance		Primary insurance		Munich Health		Total	
	Q2 2011	Q2 2010	Q2 2011	Q2 2010	Q2 2011	Q2 2010	Q2 2011	Q2 2010
Europe	1,943	1,841	4,107	4,095	385	396	6,435	6,332
North America	2,592	2,340	-	-	985	697	3,577	3,037
Asia and Australasia	1,282	918	45	44	44	103	1,371	1,065
Africa, Near and Middle East	186	176	1	-	57	71	244	247
Latin America	339	273	2	-	1	2	342	275
<b>Total</b>	<b>6,342</b>	<b>5,548</b>	<b>4,155</b>	<b>4,139</b>	<b>1,472</b>	<b>1,269</b>	<b>11,969</b>	<b>10,956</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:

### Intangible assets

€m	30.6.2011	31.12.2010
I. Goodwill	3,361	3,453
II. Other intangible assets	1,567	1,633
Thereof:		
Software	368	384
Purchased insurance portfolios	569	604
Other	630	645
<b>Total</b>	<b>4,928</b>	<b>5,086</b>

Given the difficult market environment in South Korean motor insurance business, increasingly evident regulation and the less favourable mid-term opportunity and risk profile, we subjected the goodwill of ERGO Daum Direct General Insurance Co. Ltd., Seoul, South Korea, to an impairment test. This test led to a complete write-off of its goodwill of €20m and to a write-down of other intangible assets of €5m. In addition, a write-down of other assets of €9m was made.

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

### Number of shares in circulation and number of own shares held

	30.6.2011	31.12.2010
Number of shares in circulation	177,588,750	180,378,583
Number of own shares held	1,752,462	8,089,888
<b>Total</b>	<b>179,341,212</b>	<b>188,468,471</b>

### Non-controlling interests

€m	30.6.2011	31.12.2010
Unrealised gains and losses	7	11
Consolidated result	1	9
Other equity	242	225
<b>Total</b>	<b>250</b>	<b>245</b>

These are mainly minority interests in individual companies of the primary insurance group.

### Subordinated liabilities

€m	30.6.2011	31.12.2010
Munich Reinsurance Company, Munich, 6.00% until 2021, thereafter floating, €1,000m Bonds 2011/2041 S&P rating: A	987	-
Munich Reinsurance Company, Munich, 6.75% until 2013, thereafter floating, €1,746m <sup>1</sup> Bonds 2003/2023 S&P rating: A	1,713	2,884
Munich Reinsurance Company, Munich, 7.625% until 2018, thereafter floating, £300m, Bonds 2003/2028 S&P rating: A	330	348
Munich Reinsurance Company, Munich, 5.767% until 2017, thereafter floating, €1,349m, Bonds 2007/perpetual S&P rating: A	1,484	1,513
Bank Austria Creditanstalt Versicherung AG, Vienna, 4.95%, €50m, Registered bonds 2004/2014 Rating: -	49	49
Bank Austria Creditanstalt Versicherung AG, Vienna, 6% until 2011, thereafter floating, €12m <sup>2</sup> , Registered bonds 2001/perpetual Rating: -	9	9
Bank Austria Creditanstalt Versicherung AG, Vienna, secondary market yield on federal government bonds (Austria), +70 BP, €13m <sup>3</sup> , Registered bonds 1998/perpetual Rating: -	10	10
HSB Group Inc., Delaware LIBOR +91 BP, US\$ 76m, Bonds 1997/2027 Rating: -	32	34
<b>Total</b>	<b>4,614</b>	<b>4,847</b>

<sup>1</sup> In the first half-year 2011, the issuer bought back notes with a nominal value of €1,178m.

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

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

On 29 March 2011, with a settlement date of 5 April 2011, we placed a subordinated bond of €1bn with a consortium of investors.

### Bonds and notes issued

€m	30.6.2011	31.12.2010
Munich Re America Corporation, Princeton, 7.45%, US\$ 389m <sup>1</sup> , Senior Notes 1996/2026 S&P rating: A-	268	290
<b>Total</b>	<b>268</b>	<b>290</b>

<sup>1</sup> In the first half-year 2011, the issuer bought back notes with a nominal value of US\$ 0.1m.

## Notes to the consolidated income statement

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

### Premiums<sup>1</sup>

€m	Reinsurance			
	Life		Property-casualty	
	Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010
Gross premiums written	4,788	3,825	8,281	7,480
Change in gross unearned premiums	-	-64	502	218
<b>Gross earned premiums</b>	<b>4,788</b>	<b>3,889</b>	<b>7,779</b>	<b>7,262</b>
Ceded premiums written	215	213	274	512
Change in unearned premiums – Ceded share	-	-	-73	22
<b>Earned premiums ceded</b>	<b>215</b>	<b>213</b>	<b>347</b>	<b>490</b>
<b>Net earned premiums</b>	<b>4,573</b>	<b>3,676</b>	<b>7,432</b>	<b>6,772</b>

→ €m	Primary insurance					
	Life		Health		Property-casualty	
	Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010
Gross premiums written	2,984	3,123	2,882	2,756	3,055	2,961
Change in gross unearned premiums	-1	-	46	52	362	364
<b>Gross earned premiums</b>	<b>2,985</b>	<b>3,123</b>	<b>2,836</b>	<b>2,704</b>	<b>2,693</b>	<b>2,597</b>
Ceded premiums written	56	63	10	10	120	104
Change in unearned premiums – Ceded share	-	-	1	2	8	11
<b>Earned premiums ceded</b>	<b>56</b>	<b>63</b>	<b>9</b>	<b>8</b>	<b>112</b>	<b>93</b>
<b>Net earned premiums</b>	<b>2,929</b>	<b>3,060</b>	<b>2,827</b>	<b>2,696</b>	<b>2,581</b>	<b>2,504</b>

→ €m	Munich Health		Total	
	Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010
Gross premiums written	2,959	2,468	24,949	22,613
Change in gross unearned premiums	49	85	958	655
<b>Gross earned premiums</b>	<b>2,910</b>	<b>2,383</b>	<b>23,991</b>	<b>21,958</b>
Ceded premiums written	8	13	683	915
Change in unearned premiums – Ceded share	1	-	-63	35
<b>Earned premiums ceded</b>	<b>7</b>	<b>13</b>	<b>746</b>	<b>880</b>
<b>Net earned premiums</b>	<b>2,903</b>	<b>2,370</b>	<b>23,245</b>	<b>21,078</b>

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

Premiums<sup>1</sup>

	Reinsurance			
	Life		Property-casualty	
€m	Q2 2011	Q2 2010	Q2 2011	Q2 2010
Gross premiums written	2,424	2,017	3,918	3,531
Change in gross unearned premiums	-6	-67	133	-239
<b>Gross earned premiums</b>	<b>2,430</b>	<b>2,084</b>	<b>3,785</b>	<b>3,770</b>
Ceded premiums written	100	85	131	232
Change in unearned premiums - Ceded share	-	-	-36	-22
<b>Earned premiums ceded</b>	<b>100</b>	<b>85</b>	<b>167</b>	<b>254</b>
<b>Net earned premiums</b>	<b>2,330</b>	<b>1,999</b>	<b>3,618</b>	<b>3,516</b>

→	Life		Health		Primary insurance Property-casualty	
	Q2 2011	Q2 2010	Q2 2011	Q2 2010	Q2 2011	Q2 2010
€m						
Gross premiums written	1,462	1,554	1,426	1,342	1,267	1,243
Change in gross unearned premiums	-1	-1	-5	-18	-93	-83
<b>Gross earned premiums</b>	<b>1,463</b>	<b>1,555</b>	<b>1,431</b>	<b>1,360</b>	<b>1,360</b>	<b>1,326</b>
Ceded premiums written	28	31	4	3	46	51
Change in unearned premiums - Ceded share	-	-	-1	-	-10	7
<b>Earned premiums ceded</b>	<b>28</b>	<b>31</b>	<b>5</b>	<b>3</b>	<b>56</b>	<b>44</b>
<b>Net earned premiums</b>	<b>1,435</b>	<b>1,524</b>	<b>1,426</b>	<b>1,357</b>	<b>1,304</b>	<b>1,282</b>

→	Munich Health		Total	
	Q2 2011	Q2 2010	Q2 2011	Q2 2010
€m				
Gross premiums written	1,472	1,269	11,969	10,956
Change in gross unearned premiums	7	16	35	-392
<b>Gross earned premiums</b>	<b>1,465</b>	<b>1,253</b>	<b>11,934</b>	<b>11,348</b>
Ceded premiums written	4	5	313	407
Change in unearned premiums - Ceded share	1	-1	-46	-16
<b>Earned premiums ceded</b>	<b>3</b>	<b>6</b>	<b>359</b>	<b>423</b>
<b>Net earned premiums</b>	<b>1,462</b>	<b>1,247</b>	<b>11,575</b>	<b>10,925</b>

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

Income from technical interest<sup>1</sup>

	Reinsurance			
	Life		Property-casualty	
€m	Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010
Income from technical interest	335	259	677	683



	Primary insurance			
	Life		Health	
€m	Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010
Income from technical interest	755	1,751	703	687



	Munich Health		Total	
	Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010
€m				
Income from technical interest	21	23	2,570	3,488

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

Income from technical interest<sup>1</sup>

	Reinsurance			
	Life		Property-casualty	
€m	Q2 2011	Q2 2010	Q2 2011	Q2 2010
Income from technical interest	194	123	342	351



	Primary insurance			
	Life		Health	
€m	Q2 2011	Q2 2010	Q2 2011	Q2 2010
Income from technical interest	241	808	319	326



	Munich Health		Total	
	Q2 2011	Q2 2010	Q2 2011	Q2 2010
€m				
Income from technical interest	11	11	1,147	1,661

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

Expenses for claims and benefits<sup>1</sup>

€m	Reinsurance			
	Life		Property-casualty	
	Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010
<b>Gross</b>				
Claims and benefits paid	3,194	2,314	4,850	5,092
Change in technical provisions				
Provision for future policy benefits	128	271	-14	-8
Provision for outstanding claims	250	174	3,347	470
Provision for premium refunds	-	-	7	8
Other technical result	-2	-27	25	32
<b>Gross expenses for claims and benefits</b>	<b>3,570</b>	<b>2,732</b>	<b>8,215</b>	<b>5,594</b>
<b>Ceded share</b>				
Claims and benefits paid	101	26	257	372
Change in technical provisions				
Provision for future policy benefits	-30	-36	-	-
Provision for outstanding claims	31	120	187	12
Provision for premium refunds	-	-	-	-
Other technical result	-16	-11	-1	-6
<b>Expenses for claims and benefits - Ceded share</b>	<b>86</b>	<b>99</b>	<b>443</b>	<b>378</b>
<b>Net</b>				
Claims and benefits paid	3,093	2,288	4,593	4,720
Change in technical provisions				
Provision for future policy benefits	158	307	-14	-8
Provision for outstanding claims	219	54	3,160	458
Provision for premium refunds	-	-	7	8
Other technical result	14	-16	26	38
<b>Net expenses for claims and benefits</b>	<b>3,484</b>	<b>2,633</b>	<b>7,772</b>	<b>5,216</b>

→	Primary insurance					
	Life		Health		Property-casualty	
€m	Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010
<b>Gross</b>						
Claims and benefits paid	3,186	2,992	1,958	1,872	1,669	1,577
Change in technical provisions						
Provision for future policy benefits	73	617	522	551	11	29
Provision for outstanding claims	-3	-21	-29	3	15	85
Provision for premium refunds	-89	628	588	446	6	6
Other technical result	80	79	-2	-3	1	18
<b>Gross expenses for claims and benefits</b>	<b>3,247</b>	<b>4,295</b>	<b>3,037</b>	<b>2,869</b>	<b>1,702</b>	<b>1,715</b>
<b>Ceded share</b>						
Claims and benefits paid	48	49	4	3	60	50
Change in technical provisions						
Provision for future policy benefits	27	6	-	-	-	-
Provision for outstanding claims	-9	-3	-1	2	14	10
Provision for premium refunds	1	1	-	-	-	-
Other technical result	-38	-37	-	-	-	1
<b>Expenses for claims and benefits - Ceded share</b>	<b>29</b>	<b>16</b>	<b>3</b>	<b>5</b>	<b>74</b>	<b>61</b>
<b>Net</b>						
Claims and benefits paid	3,138	2,943	1,954	1,869	1,609	1,527
Change in technical provisions						
Provision for future policy benefits	46	611	522	551	11	29
Provision for outstanding claims	6	-18	-28	1	1	75
Provision for premium refunds	-90	627	588	446	6	6
Other technical result	118	116	-2	-3	1	17
<b>Net expenses for claims and benefits</b>	<b>3,218</b>	<b>4,279</b>	<b>3,034</b>	<b>2,864</b>	<b>1,628</b>	<b>1,654</b>

→	Munich Health		Total	
€m	Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010
<b>Gross</b>				
Claims and benefits paid	2,436	1,800	17,293	15,647
Change in technical provisions				
Provision for future policy benefits	41	43	761	1,503
Provision for outstanding claims	-96	79	3,484	790
Provision for premium refunds	-3	-3	509	1,085
Other technical result	-1	-6	101	93
<b>Gross expenses for claims and benefits</b>	<b>2,377</b>	<b>1,913</b>	<b>22,148</b>	<b>19,118</b>
<b>Ceded share</b>				
Claims and benefits paid	4	28	474	528
Change in technical provisions				
Provision for future policy benefits	-	-	-3	-30
Provision for outstanding claims	-	-21	222	120
Provision for premium refunds	-	-	1	1
Other technical result	-	-	-55	-53
<b>Expenses for claims and benefits - Ceded share</b>	<b>4</b>	<b>7</b>	<b>639</b>	<b>566</b>
<b>Net</b>				
Claims and benefits paid	2,432	1,772	16,819	15,119
Change in technical provisions				
Provision for future policy benefits	41	43	764	1,533
Provision for outstanding claims	-96	100	3,262	670
Provision for premium refunds	-3	-3	508	1,084
Other technical result	-1	-6	156	146
<b>Net expenses for claims and benefits</b>	<b>2,373</b>	<b>1,906</b>	<b>21,509</b>	<b>18,552</b>

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



Expenses for claims and benefits<sup>1</sup>

€m	Reinsurance			
	Life		Property-casualty	
	Q2 2011	Q2 2010	Q2 2011	Q2 2010
<b>Gross</b>				
Claims and benefits paid	1,671	1,232	2,242	2,912
Change in technical provisions				
Provision for future policy benefits	65	151	-9	-11
Provision for outstanding claims	177	45	415	-128
Provision for premium refunds	-	-	3	-2
Other technical result	5	-54	10	15
<b>Gross expenses for claims and benefits</b>	<b>1,918</b>	<b>1,374</b>	<b>2,661</b>	<b>2,786</b>
<b>Ceded share</b>				
Claims and benefits paid	73	57	117	191
Change in technical provisions				
Provision for future policy benefits	-12	-30	-	-
Provision for outstanding claims	-11	29	30	71
Provision for premium refunds	-	-	-	-
Other technical result	-8	-6	-	-5
<b>Expenses for claims and benefits - Ceded share</b>	<b>42</b>	<b>50</b>	<b>147</b>	<b>257</b>
<b>Net</b>				
Claims and benefits paid	1,598	1,175	2,125	2,721
Change in technical provisions				
Provision for future policy benefits	77	181	-9	-11
Provision for outstanding claims	188	16	385	-199
Provision for premium refunds	-	-	3	-2
Other technical result	13	-48	10	20
<b>Net expenses for claims and benefits</b>	<b>1,876</b>	<b>1,324</b>	<b>2,514</b>	<b>2,529</b>

→	Primary insurance					
	Life		Health		Property-casualty	
€m	Q2 2011	Q2 2010	Q2 2011	Q2 2010	Q2 2011	Q2 2010
<b>Gross</b>						
Claims and benefits paid	1,574	1,456	934	884	813	788
Change in technical provisions						
Provision for future policy benefits	-36	147	258	263	5	15
Provision for outstanding claims	19	32	63	78	34	38
Provision for premium refunds	-116	362	242	208	4	3
Other technical result	40	41	-	-1	-5	2
<b>Gross expenses for claims and benefits</b>	<b>1,481</b>	<b>2,038</b>	<b>1,497</b>	<b>1,432</b>	<b>851</b>	<b>846</b>
<b>Ceded share</b>						
Claims and benefits paid	21	22	1	2	28	25
Change in technical provisions						
Provision for future policy benefits	15	-2	-	-	-	-
Provision for outstanding claims	-	1	-1	2	-	-25
Provision for premium refunds	1	1	-	-	1	-
Other technical result	-19	-19	-	-	1	-
<b>Expenses for claims and benefits - Ceded share</b>	<b>18</b>	<b>3</b>	<b>-</b>	<b>4</b>	<b>30</b>	<b>-</b>
<b>Net</b>						
Claims and benefits paid	1,553	1,434	933	882	785	763
Change in technical provisions						
Provision for future policy benefits	-51	149	258	263	5	15
Provision for outstanding claims	19	31	64	76	34	63
Provision for premium refunds	-117	361	242	208	3	3
Other technical result	59	60	-	-1	-6	2
<b>Net expenses for claims and benefits</b>	<b>1,463</b>	<b>2,035</b>	<b>1,497</b>	<b>1,428</b>	<b>821</b>	<b>846</b>

→	Munich Health		Total	
€m	Q2 2011	Q2 2010	Q2 2011	Q2 2010
<b>Gross</b>				
Claims and benefits paid	1,154	941	8,388	8,213
Change in technical provisions				
Provision for future policy benefits	20	20	303	585
Provision for outstanding claims	20	46	728	111
Provision for premium refunds	-3	-2	130	569
Other technical result	-	-5	50	-2
<b>Gross expenses for claims and benefits</b>	<b>1,191</b>	<b>1,000</b>	<b>9,599</b>	<b>9,476</b>
<b>Ceded share</b>				
Claims and benefits paid	1	23	241	320
Change in technical provisions				
Provision for future policy benefits	-	-	3	-32
Provision for outstanding claims	-	-19	18	59
Provision for premium refunds	-	-	2	1
Other technical result	-	-	-26	-30
<b>Expenses for claims and benefits – Ceded share</b>	<b>1</b>	<b>4</b>	<b>238</b>	<b>318</b>
<b>Net</b>				
Claims and benefits paid	1,153	918	8,147	7,893
Change in technical provisions				
Provision for future policy benefits	20	20	300	617
Provision for outstanding claims	20	65	710	52
Provision for premium refunds	-3	-2	128	568
Other technical result	-	-5	76	28
<b>Net expenses for claims and benefits</b>	<b>1,190</b>	<b>996</b>	<b>9,361</b>	<b>9,158</b>

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

Operating expenses<sup>1</sup>

€m	Reinsurance			
	Life		Property-casualty	
	Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010
Acquisition costs, profit commission and reinsurance commission paid	1,139	1,383	1,982	1,750
Administrative expenses	143	134	508	514
Change in deferred acquisition costs and contingent commissions, amortisation and impairment losses of acquired insurance portfolios	-20	-380	-208	-94
<b>Gross operating expenses</b>	<b>1,262</b>	<b>1,137</b>	<b>2,282</b>	<b>2,170</b>
Ceded share of acquisition costs, profit commission and reinsurance commission paid	82	104	33	114
Ceded share of changes in deferred acquisition costs and contingent commissions	-	-24	22	4
<b>Operating expenses - Ceded share</b>	<b>82</b>	<b>80</b>	<b>55</b>	<b>118</b>
<b>Net operating expenses</b>	<b>1,180</b>	<b>1,057</b>	<b>2,227</b>	<b>2,052</b>

→ €m	Primary insurance					
	Life		Health		Property-casualty	
	Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010
Acquisition costs, profit commission and reinsurance commission paid	411	430	295	311	598	571
Administrative expenses	124	125	76	81	346	322
Change in deferred acquisition costs and contingent commissions, amortisation and impairment losses of acquired insurance portfolios	-9	23	-56	-25	-66	-53
<b>Gross operating expenses</b>	<b>526</b>	<b>578</b>	<b>315</b>	<b>367</b>	<b>878</b>	<b>840</b>
Ceded share of acquisition costs, profit commission and reinsurance commission paid	8	9	2	2	12	15
Ceded share of changes in deferred acquisition costs and contingent commissions	1	1	-	-	1	2
<b>Operating expenses - Ceded share</b>	<b>9</b>	<b>10</b>	<b>2</b>	<b>2</b>	<b>13</b>	<b>17</b>
<b>Net operating expenses</b>	<b>517</b>	<b>568</b>	<b>313</b>	<b>365</b>	<b>865</b>	<b>823</b>

→	Munich Health		Total	
€m	Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010
Acquisition costs, profit commission and reinsurance commission paid	449	436	4,874	4,881
Administrative expenses	74	67	1,271	1,243
Change in deferred acquisition costs and contingent commissions, amortisation and impairment losses of acquired insurance portfolios	8	-33	-351	-562
<b>Gross operating expenses</b>	<b>531</b>	<b>470</b>	<b>5,794</b>	<b>5,562</b>
Ceded share of acquisition costs, profit commission and reinsurance commission paid	1	-2	138	242
Ceded share of changes in deferred acquisition costs and contingent commissions	-	-	24	-17
<b>Operating expenses - Ceded share</b>	<b>1</b>	<b>-2</b>	<b>162</b>	<b>225</b>
<b>Net operating expenses</b>	<b>530</b>	<b>472</b>	<b>5,632</b>	<b>5,337</b>

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

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

	Life		Reinsurance Property-casualty	
€m	Q2 2011	Q2 2010	Q2 2011	Q2 2010
Acquisition costs, profit commission and reinsurance commission paid	568	706	1,071	905
Administrative expenses	72	71	259	260
Change in deferred acquisition costs and contingent commissions, amortisation and impairment losses of acquired insurance portfolios	-49	-100	-193	18
<b>Gross operating expenses</b>	<b>591</b>	<b>677</b>	<b>1,137</b>	<b>1,183</b>
Ceded share of acquisition costs, profit commission and reinsurance commission paid	37	28	27	53
Ceded share of changes in deferred acquisition costs and contingent commissions	-2	-12	3	3
<b>Operating expenses - Ceded share</b>	<b>35</b>	<b>16</b>	<b>30</b>	<b>56</b>
<b>Net operating expenses</b>	<b>556</b>	<b>661</b>	<b>1,107</b>	<b>1,127</b>

→	Primary insurance					
	Life		Health		Property-casualty	
	Q2 2011	Q2 2010	Q2 2011	Q2 2010	Q2 2011	Q2 2010
€m						
Acquisition costs, profit commission and reinsurance commission paid	201	211	148	153	294	287
Administrative expenses	62	62	34	39	163	153
Change in deferred acquisition costs and contingent commissions, amortisation and impairment losses of acquired insurance portfolios	7	5	-22	-13	-23	-18
<b>Gross operating expenses</b>	<b>270</b>	<b>278</b>	<b>160</b>	<b>179</b>	<b>434</b>	<b>422</b>
Ceded share of acquisition costs, profit commission and reinsurance commission paid	4	4	1	-	10	10
Ceded share of changes in deferred acquisition costs and contingent commissions	-	1	-	-	4	2
<b>Operating expenses - Ceded share</b>	<b>4</b>	<b>5</b>	<b>1</b>	<b>-</b>	<b>14</b>	<b>12</b>
<b>Net operating expenses</b>	<b>266</b>	<b>273</b>	<b>159</b>	<b>179</b>	<b>420</b>	<b>410</b>

→	Munich Health		Total	
	Q2 2011	Q2 2010	Q2 2011	Q2 2010
€m				
Acquisition costs, profit commission and reinsurance commission paid	220	229	2,502	2,491
Administrative expenses	35	34	625	619
Change in deferred acquisition costs and contingent commissions, amortisation and impairment losses of acquired insurance portfolios	13	-25	-267	-133
<b>Gross operating expenses</b>	<b>268</b>	<b>238</b>	<b>2,860</b>	<b>2,977</b>
Ceded share of acquisition costs, profit commission and reinsurance commission paid	1	-1	80	94
Ceded share of changes in deferred acquisition costs and contingent commissions	-	-	5	-6
<b>Operating expenses - Ceded share</b>	<b>1</b>	<b>-1</b>	<b>85</b>	<b>88</b>
<b>Net operating expenses</b>	<b>267</b>	<b>239</b>	<b>2,775</b>	<b>2,889</b>

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

Investment result by investment class and segment (before deduction of technical interest)<sup>1</sup>

€m	Reinsurance			
	Life		Property-casualty	
	Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010
<b>Land and buildings, including buildings on third-party land</b>	<b>11</b>	<b>13</b>	<b>53</b>	<b>61</b>
<b>Investments in affiliated companies</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>4</b>
<b>Investments in associates</b>	<b>9</b>	<b>3</b>	<b>42</b>	<b>15</b>
<b>Loans</b>	<b>2</b>	<b>1</b>	<b>8</b>	<b>4</b>
<b>Other securities held to maturity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other securities available for sale</b>				
Fixed-interest	329	331	890	1,278
Non-fixed-interest	78	37	351	195
<b>Other securities at fair value through profit or loss</b>				
Held for trading				
Fixed-interest	-	-	2	10
Non-fixed-interest	-	-	1	-
Derivatives	-41	27	-184	109
Designated as at fair value through profit or loss				
Fixed-interest	-	-	-	-
Non-fixed-interest	-	-	-	-
<b>Deposits retained on assumed reinsurance and other investments</b>	<b>157</b>	<b>96</b>	<b>-16</b>	<b>-18</b>
<b>Investments for the benefit of life insurance policyholders who bear the investment risk</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenses for the management of investments, other expenses</b>	<b>16</b>	<b>16</b>	<b>78</b>	<b>79</b>
<b>Total</b>	<b>529</b>	<b>492</b>	<b>1,071</b>	<b>1,579</b>



€m	Primary insurance					
	Life		Health		Property-casualty	
	Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010
<b>Land and buildings, including buildings on third-party land</b>	<b>44</b>	<b>46</b>	<b>20</b>	<b>22</b>	<b>43</b>	<b>13</b>
<b>Investments in affiliated companies</b>	<b>-3</b>	<b>-2</b>	<b>-3</b>	<b>-2</b>	<b>256</b>	<b>40</b>
<b>Investments in associates</b>	<b>-2</b>	<b>6</b>	<b>-2</b>	<b>-2</b>	<b>1</b>	<b>-</b>
<b>Loans</b>	<b>727</b>	<b>714</b>	<b>309</b>	<b>318</b>	<b>48</b>	<b>58</b>
<b>Other securities held to maturity</b>	<b>1</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other securities available for sale</b>						
Fixed-interest	275	846	205	294	84	147
Non-fixed-interest	34	100	106	39	15	33
<b>Other securities at fair value through profit or loss</b>						
Held for trading						
Fixed-interest	-	8	-	-	-	-
Non-fixed-interest	-	-	-	-	-	-
Derivatives	-54	256	-29	-29	-24	3
Designated as at fair value through profit or loss						
Fixed-interest	3	8	-	-	-	-
Non-fixed-interest	-3	-1	-	-	-	-
<b>Deposits retained on assumed reinsurance and other investments</b>	<b>-4</b>	<b>25</b>	<b>-3</b>	<b>2</b>	<b>-3</b>	<b>-</b>
<b>Investments for the benefit of life insurance policyholders who bear the investment risk</b>	<b>-123</b>	<b>91</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenses for the management of investments, other expenses</b>	<b>80</b>	<b>68</b>	<b>22</b>	<b>19</b>	<b>13</b>	<b>18</b>
<b>Total</b>	<b>815</b>	<b>2,031</b>	<b>581</b>	<b>623</b>	<b>407</b>	<b>276</b>

→	Munich Health		Asset management		Total	
€m	Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010
<b>Land and buildings, including buildings on third-party land</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>174</b>	<b>157</b>
<b>Investments in affiliated companies</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>252</b>	<b>44</b>
<b>Investments in associates</b>	<b>1</b>	<b>8</b>	<b>1</b>	<b>3</b>	<b>50</b>	<b>33</b>
<b>Loans</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,094</b>	<b>1,095</b>
<b>Other securities held to maturity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>2</b>
<b>Other securities available for sale</b>						
Fixed-interest	58	44	2	1	1,843	2,941
Non-fixed-interest	10	6	-	-	594	410
<b>Other securities at fair value through profit or loss</b>						
Held for trading						
Fixed-interest	-	-	-	-	2	18
Non-fixed-interest	-	-	-	-	1	-
Derivatives	-8	10	-	-	-340	376
Designated as at fair value through profit or loss						
Fixed-interest	-	-	-	-	3	8
Non-fixed-interest	-	-	-	-	-3	-1
<b>Deposits retained on assumed reinsurance and other investments</b>	<b>-</b>	<b>-1</b>	<b>2</b>	<b>2</b>	<b>133</b>	<b>106</b>
<b>Investments for the benefit of life insurance policyholders who bear the investment risk</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-123</b>	<b>91</b>
<b>Expenses for the management of investments, other expenses</b>	<b>4</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>213</b>	<b>202</b>
<b>Total</b>	<b>58</b>	<b>66</b>	<b>7</b>	<b>11</b>	<b>3,468</b>	<b>5,078</b>

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



Investment result by investment class and segment (before deduction of technical interest)<sup>1</sup>

€m	Reinsurance			
	Life		Property-casualty	
	Q2 2011	Q2 2010	Q2 2011	Q2 2010
<b>Land and buildings, including buildings on third-party land</b>	<b>4</b>	<b>11</b>	<b>20</b>	<b>49</b>
<b>Investments in affiliated companies</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>1</b>
<b>Investments in associates</b>	<b>7</b>	<b>-</b>	<b>35</b>	<b>1</b>
<b>Loans</b>	<b>1</b>	<b>-</b>	<b>5</b>	<b>2</b>
<b>Other securities held to maturity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other securities available for sale</b>				
Fixed-interest	143	142	444	537
Non-fixed-interest	30	26	135	139
<b>Other securities at fair value through profit or loss</b>				
Held for trading				
Fixed-interest	-	-	1	6
Non-fixed-interest	-	-	1	-
Derivatives	-36	27	-175	249
Designated as at fair value through profit or loss				
Fixed-interest	-	-	-	-
Non-fixed-interest	-	-	-	-
<b>Deposits retained on assumed reinsurance and other investments</b>	<b>105</b>	<b>38</b>	<b>-13</b>	<b>-5</b>
<b>Investments for the benefit of life insurance policyholders who bear the investment risk</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenses for the management of investments, other expenses</b>	<b>8</b>	<b>9</b>	<b>40</b>	<b>41</b>
<b>Total</b>	<b>246</b>	<b>235</b>	<b>415</b>	<b>938</b>



€m	Primary insurance					
	Life		Health		Property-casualty	
	Q2 2011	Q2 2010	Q2 2011	Q2 2010	Q2 2011	Q2 2010
<b>Land and buildings, including buildings on third-party land</b>	<b>31</b>	<b>24</b>	<b>10</b>	<b>12</b>	<b>36</b>	<b>7</b>
<b>Investments in affiliated companies</b>	<b>-2</b>	<b>-1</b>	<b>-2</b>	<b>-1</b>	<b>256</b>	<b>-</b>
<b>Investments in associates</b>	<b>-1</b>	<b>6</b>	<b>-3</b>	<b>-</b>	<b>1</b>	<b>1</b>
<b>Loans</b>	<b>385</b>	<b>359</b>	<b>145</b>	<b>161</b>	<b>23</b>	<b>33</b>
<b>Other securities held to maturity</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other securities available for sale</b>						
Fixed-interest	-148	390	62	138	39	60
Non-fixed-interest	38	27	40	17	9	19
<b>Other securities at fair value through profit or loss</b>						
Held for trading						
Fixed-interest	-	7	-	-	-	-
Non-fixed-interest	-	-	-	-	-	-
Derivatives	47	236	-8	-13	-25	3
Designated as at fair value through profit or loss						
Fixed-interest	5	1	-	-	-	-
Non-fixed-interest	-1	-1	-	-	-	-
<b>Deposits retained on assumed reinsurance and other investments</b>	<b>-1</b>	<b>21</b>	<b>-1</b>	<b>-1</b>	<b>-3</b>	<b>-</b>
<b>Investments for the benefit of life insurance policyholders who bear the investment risk</b>	<b>-50</b>	<b>-56</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenses for the management of investments, other expenses</b>	<b>46</b>	<b>37</b>	<b>11</b>	<b>10</b>	<b>7</b>	<b>7</b>
<b>Total</b>	<b>258</b>	<b>977</b>	<b>232</b>	<b>303</b>	<b>329</b>	<b>116</b>

→	Munich Health		Asset management		Total	
€m	Q2 2011	Q2 2010	Q2 2011	Q2 2010	Q2 2011	Q2 2010
<b>Land and buildings, including buildings on third-party land</b>	-	1	1	-	102	104
<b>Investments in affiliated companies</b>	-	-	-	1	254	-
<b>Investments in associates</b>	-1	8	5	3	43	19
<b>Loans</b>	-	-	-	-	559	555
<b>Other securities held to maturity</b>	-	-	-	-	1	1
<b>Other securities available for sale</b>						
Fixed-interest	26	21	1	-	567	1,288
Non-fixed-interest	5	5	-	-	257	233
<b>Other securities at fair value through profit or loss</b>						
Held for trading						
Fixed-interest	-	-	-	-	1	13
Non-fixed-interest	-	-	-	-	1	-
Derivatives	-4	12	-	-	-201	514
Designated as at fair value through profit or loss						
Fixed-interest	-	-	-	-	5	1
Non-fixed-interest	-	-	-	-	-1	-1
<b>Deposits retained on assumed reinsurance and other investments</b>	-	-1	1	1	88	53
<b>Investments for the benefit of life insurance policyholders who bear the investment risk</b>	-	-	-	-	-50	-56
<b>Expenses for the management of investments, other expenses</b>	2	2	-	-	114	106
<b>Total</b>	<b>24</b>	<b>44</b>	<b>8</b>	<b>5</b>	<b>1,512</b>	<b>2,618</b>

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

Investment income by segment (before deduction of technical interest)<sup>1</sup>

€m	Reinsurance			
	Life		Property-casualty	
	Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010
Regular income	469	389	980	1,017
Thereof:				
Income from interest	376	336	786	882
Income from write-ups	254	234	683	343
Gains on the disposal of investments	360	268	1,105	1,210
Other income	-	-	-	-
<b>Total</b>	<b>1,083</b>	<b>891</b>	<b>2,768</b>	<b>2,570</b>



€m	Primary insurance					
	Life		Health		Property-casualty	
	Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010
Regular income	1,627	1,587	716	658	191	208
Thereof:						
Income from interest	1,502	1,464	622	580	158	168
Income from write-ups	94	320	43	53	18	21
Gains on the disposal of investments	171	331	115	144	357	189
Other income	48	166	-	-	-	-
<b>Total</b>	<b>1,940</b>	<b>2,404</b>	<b>874</b>	<b>855</b>	<b>566</b>	<b>418</b>



€m	Munich Health		Asset management		Total	
	Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010
Regular income	66	48	8	11	4,057	3,918
Thereof:						
Income from interest	61	37	3	3	3,508	3,470
Income from write-ups	11	13	-	-	1,103	984
Gains on the disposal of investments	33	20	-	-	2,141	2,162
Other income	-	-	-	-	48	166
<b>Total</b>	<b>110</b>	<b>81</b>	<b>8</b>	<b>11</b>	<b>7,349</b>	<b>7,230</b>

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

Investment income by segment (before deduction of technical interest)<sup>1</sup>

	Reinsurance			
	Life		Property-casualty	
€m	Q2 2011	Q2 2010	Q2 2011	Q2 2010
Regular income	271	190	514	530
Thereof:				
Income from interest	216	157	382	443
Income from write-ups	114	187	275	245
Gains on the disposal of investments	136	145	483	668
Other income	-	-	-	-
<b>Total</b>	<b>521</b>	<b>522</b>	<b>1,272</b>	<b>1,443</b>

→	Primary insurance					
	Life		Health		Property-casualty	
€m	Q2 2011	Q2 2010	Q2 2011	Q2 2010	Q2 2011	Q2 2010
Regular income	830	807	397	359	100	116
Thereof:						
Income from interest	753	732	320	298	78	85
Income from write-ups	63	243	26	41	8	12
Gains on the disposal of investments	120	107	16	68	316	79
Other income	22	2	-	-	-	-
<b>Total</b>	<b>1,035</b>	<b>1,159</b>	<b>439</b>	<b>468</b>	<b>424</b>	<b>207</b>

→	Munich Health		Asset management		Total	
	Q2 2011	Q2 2010	Q2 2011	Q2 2010	Q2 2011	Q2 2010
€m						
Regular income	33	29	9	5	2,154	2,036
Thereof:						
Income from interest	31	19	2	2	1,782	1,736
Income from write-ups	6	11	-	-	492	739
Gains on the disposal of investments	16	12	-	-	1,087	1,079
Other income	-	-	-	-	22	2
<b>Total</b>	<b>55</b>	<b>52</b>	<b>9</b>	<b>5</b>	<b>3,755</b>	<b>3,856</b>

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

Investment expenses by segment (before deduction of technical interest)<sup>1</sup>

€m	Reinsurance			
	Life		Property-casualty	
	Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010
Write-downs of investments	283	240	615	262
Losses on the disposal of investments	245	135	962	605
Management expenses, interest charges and other expenses	26	24	120	124
Thereof:				
Interest charges	10	8	42	44
<b>Total</b>	<b>554</b>	<b>399</b>	<b>1,697</b>	<b>991</b>

→ €m	Primary insurance					
	Life		Health		Property-casualty	
	Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010
Write-downs of investments	794	108	151	33	46	32
Losses on the disposal of investments	63	108	111	173	92	87
Management expenses, interest charges and other expenses	268	157	31	26	21	23
Thereof:						
Interest charges	15	12	5	5	8	5
<b>Total</b>	<b>1,125</b>	<b>373</b>	<b>293</b>	<b>232</b>	<b>159</b>	<b>142</b>

→ €m	Munich Health		Asset management		Total	
	Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010
Write-downs of investments	19	5	1	-	1,909	680
Losses on the disposal of investments	28	7	-	-	1,501	1,115
Management expenses, interest charges and other expenses	5	3	-	-	471	357
Thereof:						
Interest charges	1	1	-	-	81	75
<b>Total</b>	<b>52</b>	<b>15</b>	<b>1</b>	<b>-</b>	<b>3,881</b>	<b>2,152</b>

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

Investment expenses by segment (before deduction of technical interest)<sup>1</sup>

	Reinsurance			
	Life		Property-casualty	
€m	Q2 2011	Q2 2010	Q2 2011	Q2 2010
Write-downs of investments	122	198	261	91
Losses on the disposal of investments	139	76	532	348
Management expenses, interest charges and other expenses	14	13	64	66
Thereof:				
Interest charges	6	4	24	24
<b>Total</b>	<b>275</b>	<b>287</b>	<b>857</b>	<b>505</b>

→	Primary insurance					
	Life		Health		Property-casualty	
€m	Q2 2011	Q2 2010	Q2 2011	Q2 2010	Q2 2011	Q2 2010
Write-downs of investments	609	13	124	15	33	23
Losses on the disposal of investments	43	66	67	136	49	58
Management expenses, interest charges and other expenses	125	103	16	14	13	10
Thereof:						
Interest charges	8	7	3	3	6	3
<b>Total</b>	<b>777</b>	<b>182</b>	<b>207</b>	<b>165</b>	<b>95</b>	<b>91</b>

→	Munich Health		Asset management		Total	
	Q2 2011	Q2 2010	Q2 2011	Q2 2010	Q2 2011	Q2 2010
€m						
Write-downs of investments	11	2	1	-	1,161	342
Losses on the disposal of investments	17	3	-	-	847	687
Management expenses, interest charges and other expenses	3	3	-	-	235	209
Thereof:						
Interest charges	1	1	-	-	48	42
<b>Total</b>	<b>31</b>	<b>8</b>	<b>1</b>	<b>-</b>	<b>2,243</b>	<b>1,238</b>

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

Other operating result<sup>1</sup>

€m	Reinsurance			
	Life		Property-casualty	
	Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010
Other operating income	30	38	124	147
Other operating expenses	28	29	101	102

€m	Primary insurance					
	Life		Health		Property-casualty	
	Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010
Other operating income	40	41	23	22	66	36
Other operating expenses	46	63	33	48	102	99

€m	Munich Health		Asset management		Total	
	Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010
	Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010
Other operating income	36	35	32	28	351	347
Other operating expenses	29	34	21	21	360	396

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

Other operating result<sup>1</sup>

€m	Reinsurance			
	Life		Property-casualty	
	Q2 2011	Q2 2010	Q2 2011	Q2 2010
Other operating income	9	17	55	65
Other operating expenses	11	16	52	52

€m	Primary insurance					
	Life		Health		Property-casualty	
	Q2 2011	Q2 2010	Q2 2011	Q2 2010	Q2 2011	Q2 2010
Other operating income	20	19	8	13	41	19
Other operating expenses	18	32	17	31	46	53

€m	Munich Health		Asset management		Total	
	Q2 2011	Q2 2010	Q2 2011	Q2 2010	Q2 2011	Q2 2010
	Q2 2011	Q2 2010	Q2 2011	Q2 2010	Q2 2011	Q2 2010
Other operating income	14	19	19	14	166	166
Other operating expenses	15	19	11	11	170	214

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

Other operating income mainly comprises income of €215m (195m) from services rendered, interest and similar income of €42m (52m), income of €72m (47m) from the release/reduction of miscellaneous provisions and adjustments of values for receivables, and income of €14m (46m) from owner-occupied property, some of which is also leased out.

In addition to expenses of €157m (142m) for services rendered, other operating expenses chiefly include interest charges and similar expenses of €52m (73m), other write-downs of €31m (26m), and other tax of €21m (17m). They also contain expenses of €15m (19m) 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>**

€m	Reinsurance			
	Life		Property-casualty	
	Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010
Other non-operating income	303	364	525	752
Other non-operating expenses	255	424	503	863
Impairment losses of goodwill	-	-	1	-
Finance costs	33	36	85	90

→ €m	Primary insurance					
	Life		Health		Property-casualty	
	Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010
Other non-operating income	71	132	156	367	129	137
Other non-operating expenses	109	149	176	384	230	220
Impairment losses of goodwill	-	-	-	-	20	109
Finance costs	1	1	-	-	12	12

→ €m	Munich Health		Asset management		Total	
	Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010
	Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010	Q1-2 2011	Q1-2 2010
Other non-operating income	172	176	5	3	1,361	1,931
Other non-operating expenses	156	210	16	6	1,445	2,256
Impairment losses of goodwill	-	-	-	-	21	109
Finance costs	6	5	1	1	138	145

<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>

€m	Reinsurance			
	Life		Property-casualty	
	Q2 2011	Q2 2010	Q2 2011	Q2 2010
Other non-operating income	126	198	228	426
Other non-operating expenses	87	232	167	484
Impairment losses of goodwill	-	-	-	-
Finance costs	16	18	42	47

€m	Primary insurance					
	Life		Health		Property-casualty	
	Q2 2011	Q2 2010	Q2 2011	Q2 2010	Q2 2011	Q2 2010
Other non-operating income	32	77	43	191	51	65
Other non-operating expenses	55	83	48	201	130	118
Impairment losses of goodwill	-	-	-	-	-	109
Finance costs	1	-	-	-	6	7

€m	Munich Health		Asset management		Total	
	Q2 2011	Q2 2010	Q2 2011	Q2 2010	Q2 2011	Q2 2010
Other non-operating income	75	95	4	2	559	1,054
Other non-operating expenses	59	116	11	2	557	1,236
Impairment losses of goodwill	-	-	-	-	-	109
Finance costs	3	3	1	1	69	76

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

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 €1,289m (1,853m), it contains other non-technical income of €72m (78m).

Other non-operating expenses are expenses unrelated to the conclusion, administration or settlement of insurance contracts or the administration of investments. Besides foreign-currency exchange losses of €1,092m (2,047m), they include write-downs of €54m (50m) on other intangible assets and other non-technical expenses of €299m (159m), such as expenses unrelated to the accounting period, project costs and other amounts that cannot be allocated elsewhere, and restructuring expenses.

### Non-current assets held for sale

In the first quarter of 2011, with economic effect from 29 April 2011, the ERGO Insurance Group sold its shares in the fully consolidated Capital Square Pte. Ltd., Singapore, the sales price totalling around €500m. The disposal group mainly included an office investment property with a carrying amount of €239m.

We decided in the second quarter of 2011 to sell our fully consolidated subsidiaries American Modern Life Insurance Company, Amelia, Ohio, and Southern Pioneer Life Insurance Company, Jonesboro, Arkansas.

How the non-current assets held for sale and disposal groups 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.

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

No 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 2011 totalled 24,308 (24,537) in Germany and 22,731 (22,378) in other countries.

#### Number of staff

	30.6.2011	31.12.2010
Reinsurance	11,355	11,370
Primary insurance	30,929	30,887
Munich Health	4,006	3,899
Asset management	749	759
<b>Total</b>	<b>47,039</b>	<b>46,915</b>

### Contingent liabilities, other financial commitments

In comparison with the situation at 31 December 2010, financial commitments of significance for the assessment of the Group's financial position show no material changes. No contingent liabilities have been entered into for the benefit of Board members.

### Earnings per share

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

#### Earnings per share

		Q1-2 2011	Q2 2011	Q1-2 2010	Q2 2010
Consolidated result attributable to Munich Reinsurance Company equity holders	€m	-211	736	1,191	709
Weighted average number of outstanding shares		178,382,059	177,602,994	188,122,248	186,464,227
Earnings per share	€	-1.18	4.14	6.33	3.80

### Events after the balance sheet date

On 15 July 2011, MEAG purchased on Munich Re's behalf a participation in solar parks consisting of 42 photovoltaic facilities in Spain and Italy. We are investing in a diversified portfolio with a total installed capacity of 168 MW and an annual output of more than 250 GWh. The facilities are combined in T-Solar Global Operating Assets. The participation of 37% was acquired by Munich Re at a purchase price of just under €100m and is shown as an associate and valued at equity. The transaction is subject to approval under antitrust law.

With economic effect from 19 July 2011, via its subsidiary MR RENT-Investment GmbH, Munich, Munich Re acquired 100% of the voting shares in the following two photovoltaic solar park companies from FOTOWATIO Italia S.R.L.:

- FOTOWATIO Italia Galatina S.R.L., Galatina, Italy
- FOTOUNO S.R.L., Ginosa, Italy

FOTOWATIO Italia Galatina S.R.L. operates a photovoltaics park outside the town of Galatina (near Lecce, in the Apulia region of Italy). The solar park has an installed nominal output of 9.69 MW.

FOTOUNO S.R.L. operates three photovoltaic parks on the outskirts of the town of Ginosa (near Taranto, in the Apulia region of Italy). The solar parks have the following installed nominal outputs:

- Cantore plant, 9.317 MW
- Stornara plant, 5.92 MW
- Marinella plant, 4.37 MW

A provisional purchase price of €150.9m was paid for the acquisition of the solar park companies. The amount comprises a cash payment of €17.3m to the seller and €133.6m for the acquisition of shareholder loans and the settlement of liabilities of the acquired companies.

To increase the capital of the acquired subsidiaries, MR RENT-Investment GmbH waived the acquired receivables and the claims of €133.6m arising from the settlement of the liabilities.

The provisional purchase price will be adjusted if at the time of acquisition the acquired companies' actual net debt deviates from their estimated net debt, taking into account the July results. There is currently no indication of a significant deviation of the actual figures from the estimated figures.

The provisional IFRS fair values of the acquired assets and liabilities of the companies at the time of acquisition – before the capital increase measure – are as follows: intangible assets of €42.1m, investments of €89.2m, receivables of €17.8m, other asset items of €2.6m, liabilities of €133.6m towards MR-Rent Investment GmbH, other liabilities of €2.9m, and deferred tax liabilities of €5.3m.

The goodwill of €7.4m arithmetically resulting from the transaction is still to be tested for impairment.

The fair value of the receivables acquired as part of the transaction amounts to €17.8m and corresponds to the carrying amount. No defaults were expected at the time of acquisition.

As the acquisition occurred after the end of the reporting period, no income and expenses from the solar parks have been included in the consolidated income statement yet.

The acquisition is part of the RENT programme (Renewable Energy and New Technologies), through which Munich Re plans to invest in renewable energies and new environmental technologies.

Drawn up and released for publication, Munich, 3 August 2011.

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 notes – together with the interim Group management report of Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München, for the period from 1 January 2011 to 30 June 2011, that are part of the semi-annual 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 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 IFRSs 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 2011  
KPMG Bayerische Treuhandgesellschaft  
Aktiengesellschaft Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft

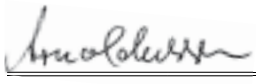

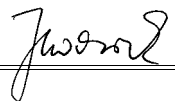



Klaus Becker  
Wirtschaftsprüfer  
(Certified public accountant)

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 material opportunities and risks associated with the expected development of the Group for the remaining months of the financial year."

Munich, 4 August 2011

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## Important dates

### 2011

8 November 2011	Interim report as at 30 September 2011
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### 2012

13 March 2012	Balance sheet press conference for 2011 financial statements
26 April 2012	Annual General Meeting
8 May 2012	Interim report as at 31 March 2012
7 August 2012	Interim report as at 30 June 2012
7 August 2012	Half-year press conference
7 November 2012	Interim report as at 30 September 2012

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

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