

Munich Re

Half-Year Financial Report

2012

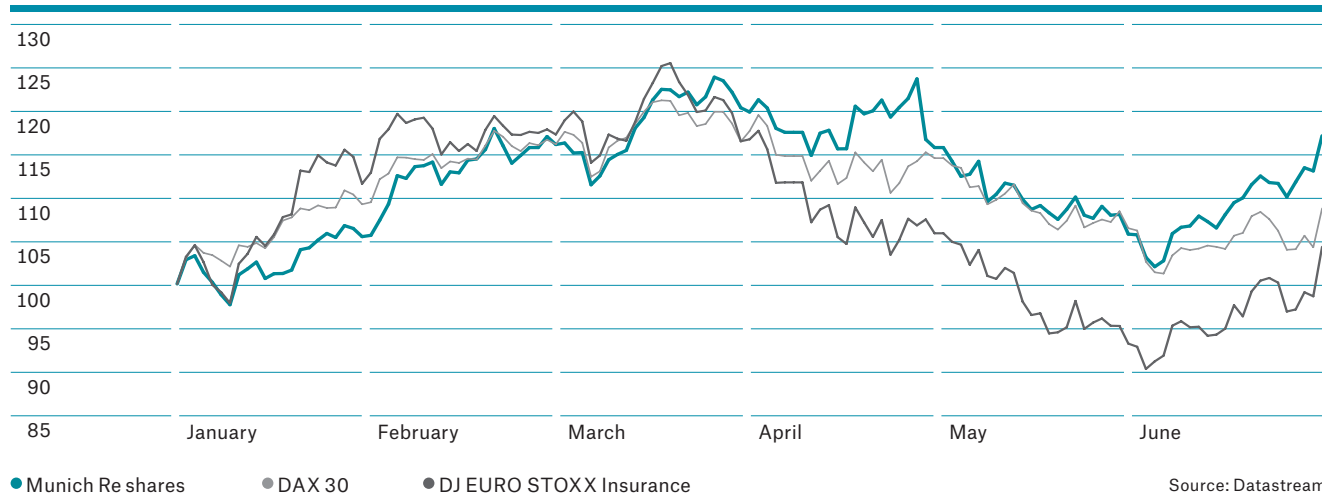
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Share price performance 1.1.2012 = 100



Key figures (IFRS)

Munich Re at a glance

		Q1-2 2012	Q1-2 2011	Change	Q2 2012	Q2 2011	Change
				%			%
Consolidated result	€m	1,594	-210	-	812	738	10.0
Thereof attributable to non-controlling interests	€m	6	1	500.0	4	2	100.0
Earnings per share	€	8.94	-1.18	-	4.54	4.14	9.7
Return on risk-adjusted capital (RORAC)	%	13.1	-2.2		13.3	14.1	
Return on investment (RoI)	%	3.8	3.6 ¹		3.4	3.1	
Return on equity (RoE)	%	13.1	-2.0		13.0	14.5	
					30.6.2012	31.12.2011	Change
							%
Book value per share	€				141.52	129.86	9.0
Munich Reinsurance Company's market capitalisation	€bn				19.9	17.0	17.3
Share price	€				111.15	94.78	17.3

		30.6.2012	31.12.2011	Change
				%
Equity	€m	25,371	23,309	8.8
Investments	€m	209,179	201,707	3.7
Net technical provisions	€m	185,836	181,161	2.6
Balance sheet total	€m	256,220	247,580	3.5
Number of staff		46,681	47,206	-1.1

¹ 3.3% excluding the earnings from economic risk transfer to the capital markets that are posted in the investment result.

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To our shareholders



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

Dear Shareholders,

Munich Re's Group performance in the first half of 2012 was very satisfactory. Claims expenditure was significantly lower than in the same period last year, which had been affected by exceptionally severe natural catastrophes. Our increased investment result also contributed to this satisfying development. Overall, the Group posted a consolidated profit of €812m for the past quarter and €1,594m for the first half-year. I regard this as a notable accomplishment, particularly given the ongoing macroeconomic difficulties. With the profit for the first half-year, we have achieved well over half our target of around €2.5bn, so we are well on track to slightly surpass the originally envisaged profit for the year.

The sovereign debt and banking crisis remains the greatest challenge facing the insurance industry. The related uncertainties – extremely low interest-rate levels in the “safe havens”, particularly Germany and the USA, and major upheavals on the capital markets – are not restricted to the eurozone alone. They are affecting all of Europe and beyond. Of particular significance to us, as a global group, is the setting of a long-term course for stability and economic integration in Europe.

At the centre of this course must be political vision. In an increasingly globalised world where the political and economic balance of power is shifting, Europeans must act in unison, in particular with a view to answering key questions for the future, such as the necessary reform of the financial markets, or mastering other challenges such as global warming or migration. I am convinced that Europe is indispensable in securing long-term peace and prosperity. And the euro is an important piece in the mosaic of this political vision.

The diverse rescue measures taken to stabilise the eurozone are thus necessary but not far-reaching enough for a long-term solution to the present crisis. Only a more strongly integrated Europe can provide a lasting answer to the current problems – a Europe with clear rules whose observance is monitored and whose violation is effectively sanctioned, preferably automatically. The European institutions need to be scrutinised in terms of their function and competences. And citizens must become more involved in political events in Europe: to achieve this, a truly European public sphere needs to be created as a precursor to strengthening the influence of voters on the composition of the institutions in question. But first the objectives for stronger European integration and the road we need to take to get there must be clearly communicated to the citizens of Europe.

A sustainable solution – and of this I am convinced – can only be brought about through decisive leadership, unity, discipline, transparency and honesty in day-to-day politics and among the partners in the eurozone. The member states need to be prepared to relinquish national sovereignty. On this basis, a path to solving or coordinating important matters of economic and fiscal policy at European level can then be mapped out. And at the end of this path, questions regarding the assumption of obligations in this newly shaped Europe may be answered.

Munich Re considers itself well-equipped to operate successfully in this economically challenging environment. We spread our assets broadly, a consequence of our business model, in which investments are primarily geared to the structure of our liabilities. It is with our insurance business that we aim to create value. On the assets side of our balance sheet, we do not take any unreasonable additional risks. This approach, in combination with our consistent risk management, helps us to be prepared for greatly varying scenarios.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'N. von Bomhard', with a stylized, cursive script.

Nikolaus von Bomhard

Interim management report

Business environment

- // The sovereign debt and banking crisis deepens further
- // Global economic growth slows; inflationary pressure declines
- // Interest rates remain low; substantial price losses on stock markets

In the second quarter of 2012, the global economy lost momentum compared with the previous quarter. The further worsening of the sovereign debt and banking crisis in the eurozone had a particularly negative impact. At the start of the year, a certain calm had initially resulted from political resolutions by the euro member states and the liquidity expansion measures of the European Central Bank (ECB).

Political uncertainty, the elections in Greece and the difficulties in the Spanish banking sector had again fostered doubts as to the sustainability of the debt position, and led to increased fears of contagion involving other countries. Only towards the end of the quarter did the tensions ease somewhat: the Greek election results nourished hopes of a more stable government that would attempt to implement the planned consolidation, and the European Council agreed to make resources from the EU rescue fund available to Spanish banks. In addition, further resolutions on the stabilisation of the eurozone were adopted at the EU summit in late June, including the creation of a common body for banking supervision with the ECB's involvement, which, when set up, will enable direct capital injections for stricken banks from the ESM rescue fund. Nevertheless, as shown by the developments since the end of the quarter, the crisis in the eurozone appears far from over.

Overall, the economic position of the eurozone has continued to deteriorate. In many countries, measures towards fiscal consolidation had a generally dampening effect. The differences between the individual member states are, however, considerable: some countries remained in recession, and while the German economy lost some momentum, its stable growth generally remained on track.

In the US, economic recovery continued at a moderate pace. Private consumption and industrial production expanded further, though without substantial improvements in the labour market situation.

Economic activity in Japan is still shaped by reconstruction in the wake of the earthquake in 2011. The chief growth drivers of the second quarter were public investment and monetary stimuli.

Economic expansion in emerging countries slowed owing to weaker domestic and international demand and prior restrictive monetary and fiscal policy measures. Reduced demand from the eurozone impacted China's export growth negatively.

Despite continued expansionary monetary policy, the weaker economy and lower energy prices had a clearly beneficial effect on inflation in the second quarter of 2012. The inflation rate sank from 2.8% in the first quarter to 1.9% in the USA, from 2.7% to 2.5% in the eurozone, and from 3.8% to 2.9% in China. 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%. The ECB lowered its reference interest rate at the start of July from 1.0% to 0.75%, whilst the Chinese central bank also reduced its key interest rate in two steps in June and early July by a total of 0.56 percentage points to 6.0%.

The exacerbated sovereign debt and banking crisis in the eurozone and the weakening of global economic growth increased tensions on the capital markets again. Only at the end of the quarter – following the EU summit – did a slight trend towards calm start to emerge. Overall, the stock markets posted significant price losses. The S&P 500 was down 3.3% in the second quarter and closed at 1,362 points at the end of June. The EURO STOXX 50 fell by 8.6% to 2,265 points and the Japanese Nikkei by 10.7% to 9,007 points. On the lookout for safe investments, investors increasingly sought refuge again in German and US government bonds. Yields on ten-year US bonds moved down from 2.2% at the start of April to 1.6% at the end of June, while those on German bonds fell from 1.8% to a new record low of 1.2% in early June before climbing back up to 1.6% at the end of the quarter. The euro lost ground against the US dollar, closing the quarter at US\$ 1.27.

Business performance

Overview

Key figures

	Q1-2 2012	Q1-2 2011	Change	Q2 2012	Q2 2011	Change
	€m	€m	%	€m	€m	%
Gross premiums written	25,897	24,949	3.8	12,632	11,969	5.5
Technical result	1,703	-1,266	-	731	616	18.7
Investment result	4,050	3,468	16.8	1,806	1,512	19.4
Operating result	2,304	-437	-	1,102	947	16.4
Taxes on income	323	-470	-	164	142	15.5
Consolidated result	1,594	-210	-	812	738	10.0
Thereof: Attributable to non-controlling interests	6	1	500.0	4	2	100.0
				30.6.2012	31.12.2011	Change
				€bn	€bn	%
Equity				25.4	23.3	8.8

Munich Re's Group performance in the first six months of the year was satisfying in the light of the difficult macroeconomic climate. Overall, our result and the positive development of our Group's equity capital reflect our forward-looking risk management, prudent investment policy and profit-oriented underwriting approach.

Despite the selective nature of our underwriting, we achieved a moderate rise in our gross premium income. Our claims expenditure was significantly lower than in the same period last year with its exceptional burden from natural catastrophes. An increased investment result also contributed to the generally satisfying development, again benefiting from a good result on the disposal of equities and interest-bearing securities.

All in all, the operating result and consolidated result for the first half of the year were appreciably higher than in the same period last year, with the figures for the second quarter also stronger year on year.

Given our robust position in the European markets, our fixed-interest investments are mainly denominated in euros and comprise in particular claims on sovereign borrowers. As part of our risk management, we naturally take account of the risks from the sovereign debt and banking crisis in the European currency union. We thus gear our risk capital requirements to the ratings of the relevant issuers, and we have also repeatedly and significantly lowered the Group-wide limits for individual countries and financial institutions and have introduced additional investment restrictions. Only 1% of our government bond portfolio still relates to Greece, Ireland, Portugal and Cyprus, 3% to Italy and a further 1% to Spain. These bonds are held almost entirely by our primary insurance segment.

Despite the dividend payout of €1.1bn at the end of April, our equity increased by €2.1bn to €25.4bn compared with the beginning of the year, thanks to the high half-year profit of €1.6bn and positive development of on-balance-sheet gains and losses of our investments as a result of falling interest rates on government bonds with a good credit rating. The annualised return on risk-adjusted capital (RORAC) totalled 13.1% (-2.2%), whilst the return on equity (RoE) amounted to 13.1% (-2.0%).

After issuing two new subordinated bonds with a volume of around €900m and £450m respectively in the first quarter of 2012, we bought back a nominal volume of some €678m of our subordinated bond 2003/2023 in April 2012. The transactions were carried out as part of our active capital management, with which we ensure that Munich Re's capitalisation is comfortable yet not excessive. Given that the financial markets are currently very nervous and volatile, we attach importance to maintaining an adequate buffer in our capital.

Until 2011, the segment balance sheet and segment income statement had reflected the situation prior to the elimination of intra-Group business (including a separate column for consolidation). From the first quarter of 2012, the segments are shown after the elimination of intra-Group business, with the previous year's figures adjusted accordingly. Further information can be found in the notes to the financial statements on page 42 ff.

In June 2012, Munich Re signed the Principles for Sustainable Insurance (PSI) of the United Nations Environmental Programme Finance Initiative. The aim is to establish the PSI, which Munich Re helped draft, within the insurance industry as voluntarily agreed principles with worldwide validity. In signing these principles, insurers undertake to consider environmental, social and corporate governance criteria along the entire value chain.

Reinsurance

- // Increase in premium volume to €13.7bn (13.1bn) in the first half of the year and €6.8bn (6.3bn) in the second quarter
- // Claims experience in life reinsurance within the range of expectations as a whole
- // Successful treaty renewals in property-casualty business
- // Gratifying consolidated result overall: €1,293m (-476m) from January to June, €659m (534m) from April to June

Munich Re operates in virtually all classes of reinsurance. We offer a full range of products, from traditional reinsurance to innovative solutions for risk assumption, using our extensive risk knowledge to develop customised solutions to meet the diverse needs of our clients.

Reinsurance - Life

Key figures¹

		Q1-2 2012	Q1-2 2011	Change	Q2 2012	Q2 2011	Change
				%			%
Gross premiums written	€m	5,294	4,788	10.6	2,695	2,424	11.2
Share of gross premiums written in reinsurance	%	38.7	36.6		39.4	38.2	
Operating result	€m	338	440	-23.2	148	142	4.2
Consolidated result	€m	267	258	3.5	138	55	150.9

¹ Previous year's figures adjusted owing to the change in segment reporting (see "Segment reporting" section).

Premium

Owing to the capital market crisis, demand for large volume treaties where reinsurance primarily serves as a capital substitute for our clients surged from 2008 onwards in North America, Asia and Continental Europe. The resulting treaties we have written in recent years are reflected in the strong premium growth of the first half and second quarter of 2012. In the past quarter, we furthermore succeeded in prematurely renewing a large-volume treaty.

Growth is also being driven by the expanding primary insurance markets in Asia, where we can benefit from the development thanks to our strong market position.

On the other hand, growth is being curbed by the weakness of the economy, which impacts our clients' business development and thus also influences the demand for reinsurance. In addition, pressure on the volumes of new business in many developed markets is rising as a consequence of higher client retentions. Premium development benefited greatly from changes in exchange rates: if these had remained unchanged, our premium income would have shown a year-on-year increase of 4.4% for the first six months and 3.0% for the second quarter.

Result

The technical result of €255m (244m) for the first half of the year reflects claims experience in our core markets that is within the range of expectations overall; the technical result for the second quarter totalled €102m (92m).

The development of the result of large-volume reinsurance treaties written in the last few years mainly to provide capital relief has been very positive in all cases.

As expected, the investment result for the first six months of the year declined year on year to €398m (529m) and totalled €218m (246m) for the second quarter. In the previous year, we had achieved exceptionally high capital gains in North America in connection with the restructuring of our portfolio of fixed-interest securities. The development of our investment result also reflects the generally lower interest-rate levels.

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

Reinsurance – Property-casualty

Key figures

		Q1-2 2012	Q1-2 2011	Change	Q2 2012	Q2 2011	Change
				%			%
Gross premiums written	€m	8,397	8,281	1.4	4,152	3,918	6.0
Share of gross premiums written in reinsurance	%	61.3	63.4		60.6	61.8	
Loss ratio ¹	%	66.0	104.2		68.3	69.2	
Thereof: Major losses ¹	Percentage points	8.7	49.0		11.2	17.6	
Expense ratio	%	29.7	30.0		28.6	30.6	
Combined ratio ¹	%	95.7	134.2		96.9	99.8	
Operating result	€m	1,364	-1,473	-	648	415	56.1
Consolidated result	€m	1,026	-734	-	521	479	8.8

¹ The figures for Q1-2 2011 are not adjusted for relief of 2.8 percentage points from economic risk transfer to the capital markets.

Premium

Gross premiums by division – Q1-2 2012



Our premium income in property-casualty reinsurance increased year on year to €8.4bn (8.3bn) for the first six months due to currency effects. The figure from April to June was €4.2bn (3.9bn). Rate increases for natural catastrophe covers had a particularly positive impact. If exchange rates had remained the same, premium income would have declined by 4.1% in the first half-year and 2.4% in the second quarter.

As at 1 April 2012, around 10% of our treaty business with a volume of around €1.2bn was up for renewal. Some 40% of this concerned the markets of Japan and Korea, and another 37% North America and Global Clients. The natural catastrophe covers that were up for renewal accounted for a significant share (over 30%). The renewal negotiations in Japan took place against the background of last year's earthquake in Japan and flood disaster in Thailand. Despite the high insured losses in 2011, reinsurance providers made a sufficient amount of capacity available in expectation of substantial price increases for natural catastrophe covers. Munich Re kept its supply of earthquake covers largely constant, benefiting from high increases in prices in the double-digit range. Windstorm and flood covers, which also profited from significantly higher price levels, were expanded compared with the same period in 2011. The higher prices achieved for natural catastrophe risks in the January renewals continued in US business. Overall, we realised price increases of around 5% in the April renewals, enabling us to substantially improve the profitability of the whole portfolio with a marginally lower premium volume. Especially in the negotiations with our Japanese clients, we attached great importance not only to prices but also to treaty terms and conditions. In the case of earthquake covers, we were able among other things to reduce the level of liability limits per loss event, thereby improving the risk profile of our portfolio.

Result

Owing to the positive treaty renewals in the months of January and April and a moderate major-loss development, we posted a very satisfactory technical result of €989m (-1,890m) for the first half of 2012 and €445m (339m) for the second quarter.

Unlike in the previous year, which had been impacted by earthquakes and other major losses, the burden from major losses throughout the first half-year was below average. Overall major-loss expenditure after retrocession to reinsurers and tax fell to €716m (3,642m¹) for the first six months of 2012 and to €452m (638m) for the second quarter.

Based on current estimates, we anticipate a net burden of approximately €160m from losses under crop failure covers due to the persistent drought in large agricultural areas in the USA. These losses occurred in the second quarter but will only become more quantifiable over the further course of the year. Nevertheless, in accordance with Munich Re's reserving policy, we have already posted provisions in the second quarter for the claims expected. The tornadoes that struck the US states of Indiana, Kentucky, Ohio and Alabama at the beginning of March were followed by another series of tornadoes in the US Midwest in April. These events led to net expenditure of roughly €135m for Munich Re in the first half of the year, around €80m of which was attributable to the second quarter. A high two-digit million euro amount has been reserved for the severe earthquakes that hit the Emilia-Romagna region of northern Italy on 20 and 29 May. Given the relatively low insurance penetration in the region affected, the extent of the insured losses was limited. The heavily damaged historical buildings were largely uninsured, so that the impact from these earthquakes on the insurance industry mainly derived from damage to industrial and commercial buildings.

¹ €3,431m taking into account economic risk transfer to the capital markets.

Man-made losses totalled €383m (284m) for the first half of the year and €160m (188m) for the period April to June. The largest of these losses in the second quarter was an explosion in a German industrial park. The accident involving cruise ship Costa Concordia also merits particular mention. The ship ran aground off the Italian island of Giglio on 13 January 2012. Based on current estimates, Munich Re expects its claims costs to be in the mid double-digit million euro range.

The combined ratio amounted to 95.7% (134.2%¹) of net earned premiums for the first six months of the year and 96.9% (99.8%) for the second quarter. The overall burden from major losses included in this figure was 8.7 (49.0) percentage points for the period from January to June and 11.2 (17.6) for the months April to June, i.e. below the average volume to be expected.

Our investment result totalled €1,056m (1,071m) for January to June and €546m (415m) for the second quarter. The increase in the second quarter is mainly attributable to high gains on the disposal of equity-based and interest-rate derivatives. The operating result thus improved to €1,364m (-1,473m) for the first half of the year and €648m (415m) for the second quarter.

Overall, we achieved an exceptionally good consolidated result.

¹ The figure is not adjusted for relief of 2.8 percentage points from economic risk transfer to the capital markets.

Primary insurance

- // Total premium volume of €9.5bn (9.8bn) for the first half year; €4.5bn (4.8bn) for the second quarter
- // Gratifying result in life primary insurance in the first half of 2012
- // Improved result in health primary insurance
- // Good combined ratio for the first half-year and second quarter
- // Increase in consolidated result to €295m (237m) owing to higher investment result for the first half-year; consolidated result of €150m (184m) for the second quarter

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

Primary insurance - Life

Key figures

		Q1-2 2012	Q1-2 2011	Change	Q2 2012	Q2 2011	Change
				%			%
Total premium income ¹	€m	3,564	3,889	-8.4	1,840	2,093	-12.1
Gross premiums written	€m	2,898	2,984	-2.9	1,449	1,462	-0.9
Share of gross premiums written in primary insurance	%	32.7	33.5		35.2	35.2	
Operating result	€m	256	3	>1,000.0	146	-34	-
Consolidated result	€m	178	-19	-	92	-47	-

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

Premium

Our life insurers in the ERGO Insurance Group posted lower premium income in the first six months and second quarter of the year than in the same periods last year. In international business, overall premium volume for the first six months was down to €893m (972m) year on year. Especially in Austria, it reduced owing to lower premium income in unit-linked life insurance. Overall premium volume totalled €2.7bn (2.9bn) in Germany, reflecting a strong decline (-23.4%) above all in single-premium income due mainly to the capitalisation product MaxiZins: having lowered the interest rates on this product, we posted a decrease of €199m in premium compared with the same period last year. Gross premiums written in Germany declined overall by 2.2% to €2.1bn (2.2bn) and by €767m (805m) for international business. In German new business, regular premium income was down by 8.6% in the first half of 2012; given the reduction in the guaranteed interest rate as at 1 January 2012, demand for private provision for old age tended to be weak. By contrast, our company pension business continued to grow. In total, new business volume in Germany was down by 20.8%. Measured in terms of annual premium equivalent (APE) – the customary international performance measure – the decrease amounted to 13.5%. International new business was down 16.3 % to €394m (471m). In terms of APE, the decrease totalled 11.2%, mainly owing to the lower volume of new business in Austria.

Result

The technical result developed positively to €101m (9m) for the period January to June 2012 and €14m (-23m) for the second quarter. The investment result rose to €1.8bn (0.8bn) for the first half-year and €0.7bn (0.3bn) for the second quarter of 2012. The improved figure was mainly attributable to the clearly positive contribution from investments for the benefit of life insurance policyholders who bear the investment risk, which do not have an impact on ERGO's income statement. In addition, we recorded high gains from our interest-rate hedges in the first six months of 2012, whereas in the same period last year we had been impacted by write-downs on Greek government bonds.

The improvement in our life primary insurers' investment result was also the main reason for the increased operating result. All in all, the bottom line was a pleasing consolidated result.

Primary insurance - Health

Key figures

		Q1-2 2012	Q1-2 2011	Change	Q2 2012	Q2 2011	Change
				%			%
Gross premiums written	€m	2,869	2,882	-0.5	1,412	1,426	-1.0
Share of gross premiums written in primary insurance	%	32.4	32.3		34.3	34.3	
Operating result	€m	78	51	52.9	45	-7	-
Consolidated result	€m	31	10	210.0	15	-18	-

Premium

Health primary insurance showed a marginal fall in premium income. In supplementary health insurance, premiums for the first six months grew by 3.0% year on year but dipped slightly by 0.5% in comprehensive health insurance, largely reflecting the premium adjustment made by our health insurer DKV at the beginning of the year, which was gratifyingly low for our clients. As expected, new business in comprehensive health insurance in the first half of 2012 was down (-31.4%) compared with the same period last year, which had benefited from the abolition as at 1 January 2011 of the three-year waiting period for switching to private health insurance. In travel insurance, which we account for in the health segment, we registered a decline in premium volume of 2.3% to €246m (252m) after significant growth in the previous years. German business expanded by 2.3%, while premium income from international business was down by 8.6% owing to individual portfolio remedial measures.

Result

We posted a technical result of €156m (183m) for the first half of the year and €77m (89m) for the second quarter. At €607m (581m) for the first six months and €286m (232m) for the second quarter, the investment result developed favourably, benefiting from not having to absorb write-downs on Greek government bonds. Altogether, both the operating result and the consolidated result improved.

Primary insurance – Property-casualty

Key figures

		Q1-2 2012	Q1-2 2011	Change	Q2 2012	Q2 2011	Change
				%			%
Gross premiums written	€m	3,091	3,055	1.2	1,256	1,267	-0.9
Share of gross premiums written in primary insurance	%	34.9	34.2		30.5	30.5	
Loss ratio	%	61.8	62.4		63.2	62.8	
Expense ratio	%	33.4	33.5		31.9	32.2	
Combined ratio	%	95.2	95.9		95.1	95.0	
Operating result	€m	216	459	-52.9	102	387	-73.6
Consolidated result	€m	86	246	-65.0	43	249	-82.7

Premium

Premium volume was stable compared with the previous year. In Germany, total premium volume climbed by 3.6% to €1.9bn (1.8bn). As in the previous quarters, this development was largely driven by commercial and industrial business, which accounted for premium growth of 8.2%. By contrast, personal accident insurance showed a decrease of 1.9% for the first half of 2012, reflecting lower sales of personal accident insurance policies with premium return. In motor insurance, premium rose by 1.7% in the period from January to June, while in German legal protection business premium income was roughly the same as in the first six months of 2011 (+0.2%). Lower premium volume in international business was primarily ascribable to the sale of our Portuguese subsidiary with effect from 29 December 2011, whose premium income had still been included in the figures for the first six months of 2011. A further curbing effect derived from the advancing remedial measures in Turkey and the business performance of our South Korean subsidiary ERGO Daum Direct General Insurance Co. Ltd. (ERGO Daum), Seoul. We signed a contract for the sale of this company on 3 May 2012. The sale is to take effect in the course of the financial year 2012. In addition, premium was adversely impacted by currency translation effects. We posted good growth especially in Poland and the United Kingdom.

Result

The technical result developed positively to €201m (167m) in the first half of 2012 and €104m (103m) in the second quarter. Paid claims and the change in claims provisions totalled €1.66bn (1.63bn) and net operating expenses €883m (865m), compared with net earned premiums of €2.64bn (2.58bn).

The combined ratio for the period from January to June was 95.2% of net earned premiums – an improvement on the same period last year (95.9%). At 95.1% (95.0%), the figure for the second quarter was also gratifying. The combined ratio for German business was 92.8% in the first half of the year – 3.8 percentage points higher year on year – mainly owing to higher expenses for claims and benefits. In international business, we recorded a significantly improved combined ratio of 98.9% (106.2%). Our consolidation measures are proving effective. We are making good progress in Poland, where the combined ratio fell to a pleasing level of 93.3% (101.1%). In Turkey, we were able to achieve an improvement in the combined ratio. Nevertheless, we still have some way to go before we can post the results we consider necessary.

The investment result showed a year-on-year decline from €407m to €143m in the first half-year and from €329m to €61m in the second quarter. The decrease is mainly attributable to the fact that the figure for the previous year's second quarter benefited from the sale of a real-estate company in Singapore. Reserves for the loss of around €35m currently to be expected on the sale of ERGO Daum were made in the second quarter of 2012, with impact on the income statement.

Overall, we posted a lower operating result and consolidated result for property-casualty business.

Munich Health

// Revenue growth continues
 // Combined ratio of 100.5% from January to June 2012
 // Investment result slightly up on previous year

With the exception of the German health insurers belonging to ERGO, Munich Re's global healthcare insurance and reinsurance expertise is combined under the Munich Health brand. Over 5,000 experts at 26 locations use this wealth of knowledge to offer our international clients innovative solutions and individual consultancy and services.

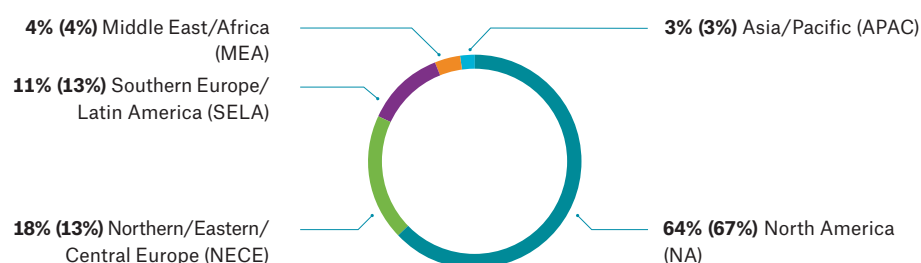
Key figures

		Q1-2 2012	Q1-2 2011	Change	Q2 2012	Q2 2011	Change
				%			%
Gross premiums written	€m	3,348	2,959	13.1	1,668	1,472	13.3
Loss ratio ¹	%	82.1	81.5		83.8	81.4	
Expense ratio ¹	%	18.4	18.4		17.7	18.5	
Combined ratio ¹	%	100.5	99.9		101.5	99.9	
Operating result	€m	35	65	-46.2	3	28	-89.3
Consolidated result	€m	6	35	-82.9	1	18	-94.4

¹ Excluding business conducted like life insurance.

Premium

Gross premiums by market region - Q1-2 2012



In each of the first two quarters of 2012, gross premiums written increased year on year. Gross premiums written in reinsurance were up by 10.9% to €2.2bn (2.0bn) in the first half-year, mainly owing to higher premium income from large-volume treaties and organic growth in North America and the UK in particular. In primary insurance, the premium income from our European companies and North America grew by 17.9% to €1.1bn (1.0bn). If exchange rates had remained unchanged, our gross premium income would have shown a year-on-year increase of 8.0% for the first six months and 5.6% for the second quarter.

Result

The technical result fell, totalling €1m (21m) for the first half of 2012 and –€11m (16m) for the second quarter.

The combined ratio was 100.5% (99.9%) for January to June, and 101.5% (99.9%) for the second quarter. This ratio relates only to short-term health business, not to business conducted like life insurance, which made up 7.4% (8.1%) of gross premiums written in the first half-year. In reinsurance, the lower combined ratio of 99.2% is attributable to more favourable claims experience overall and profitable new business. In primary insurance, the combined ratio amounted to 103.7%. The deterioration is primarily due to costs from US Medicare business (private health insurance for seniors) with pure cost reimbursement products, which will expire at the end of 2012. In future, we will be conducting this business solely with managed care products, in which the quality and costs of the healthcare services are better controlled.

The investment result improved somewhat on the previous year's level, totalling €60m (58m) for the first six months and €27m (24m) for the second quarter. In the first half-year, the operating result sank by 46.2% to €35m overall. In the second quarter, this figure was €3m (28m).

All in all, the consolidated result was also lower than in the same period last year.

Investment performance

// Rise in carrying amount to €209.2bn (201.7bn) and in market value to €216.9bn (207.1bn)

// Investments geared to liabilities, with continued strong emphasis on safety through a broad spread

// Investment result of €4.1bn for the first six months

We gear the selection of our investments to the economic characteristics of our technical provisions and liabilities. In addition, we use derivative financial instruments for portfolio management and hedging against fluctuations on the interest-rate, equity and currency markets. The high volatilities in the markets are currently resulting in substantial changes in the values of derivatives, which under IFRS accounting we recognise in profit or loss, i.e. as income or expense in our income statement.

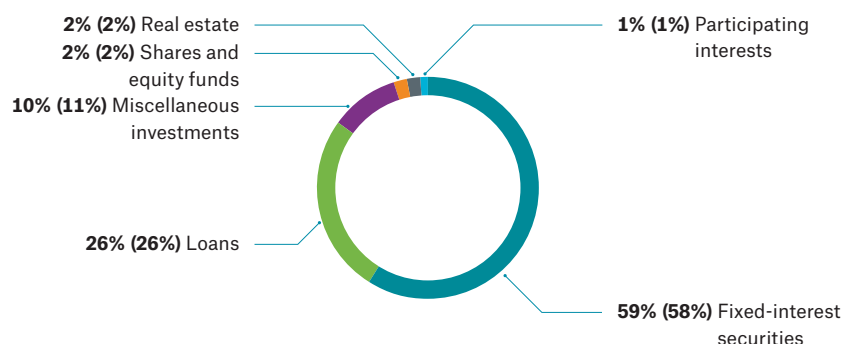
Investment mix

€m	Reinsurance					
	Life		Property-casualty		Life	
	30.6.2012	31.12.2011	30.6.2012	31.12.2011	30.6.2012	31.12.2011
Land and buildings, including buildings on third-party land	240	257	1,201	1,187	1,414	1,445
Investments in affiliated companies	18	14	79	62	32	31
Investments in associates	1	75	473	391	99	101
Loans	14	14	56	56	35,159	33,910
Other securities held to maturity	-	-	-	-	11	13
Other securities available for sale						
Fixed-interest	14,460	13,594	50,695	46,664	33,120	32,584
Non-fixed-interest	848	895	4,064	4,691	1,773	1,768
Other securities at fair value through profit or loss						
Held for trading						
Fixed-interest	-	-	593	508	56	59
Non-fixed-interest	-	-	32	28	-	-
Derivatives	600	549	344	373	837	765
Designated as at fair value through profit or loss						
Fixed-interest	-	-	-	-	165	161
Non-fixed-interest	-	-	-	-	3	4
Deposits retained on assumed reinsurance	7,540	7,784	1,136	1,196	161	165
Other investments	166	193	874	943	831	925
Investments for the benefit of life insurance policyholders who bear the investment risk	-	-	-	-	5,498	5,092
Total	23,887	23,375	59,547	56,099	79,159	77,023

	Primary insurance				Munich Health		Asset management		Total	
	Health		Property-casualty		30.6.2012	31.12.2011	30.6.2012	31.12.2011	30.6.2012	31.12.2011
	30.6.2012	31.12.2011	30.6.2012	31.12.2011						
	788	796	107	109	30	31	68	64	3,848	3,889
	12	12	78	76	3	11	8	8	230	214
	85	86	144	150	82	71	72	66	956	940
	16,769	16,934	2,307	2,323	23	23	-	-	54,328	53,260
	-	-	-	-	-	-	-	-	11	13
	14,148	12,686	5,329	5,656	3,344	3,864	681	171	121,777	115,219
	405	387	616	433	171	216	71	68	7,948	8,458
	-	-	-	-	-	-	-	-	649	567
	1	3	-	-	1	-	-	-	34	31
	89	67	17	9	7	9	-	-	1,894	1,772
	-	-	-	-	-	-	-	-	165	161
	-	-	-	-	-	1	-	-	3	5
	1	1	4	4	347	280	-	-	9,189	9,430
	84	76	300	139	65	114	328	265	2,648	2,655
	-	-	-	-	1	1	-	-	5,499	5,093
	32,382	31,048	8,902	8,899	4,074	4,621	1,228	642	209,179	201,707

Distribution of investments by type

Total: €209bn (202bn)



The carrying amount of our investment portfolio, which continues to be dominated by fixed-interest securities, loans and short-term fixed-interest investments, improved compared with the position at the beginning of the year. At 30 June 2012, its market value amounted to €216.9bn (207.1bn). The reasons for this increase were the lower interest-rate level in the second quarter, which had a positive effect on the market values of fixed-interest securities. Government bonds and pfandbriefs benefited particularly from this. Furthermore, new investments as a result of higher business volume bolstered the market value of our portfolio.

Together with restructuring within the asset classes we were able to realise a higher weighting of low-risk securities and pfandbriefs overall.

Risk spreads on fixed-interest securities are at around the same level as at the end of 2011. Our on- and off-balance-sheet unrealised gains and losses (excluding owner-occupied property), which would be posted as net gains upon disposal of the relevant investments, climbed from €11.2bn at 31 December 2011 to €16.4bn at 30 June 2012.

Other securities available for sale

€m	Carrying amounts		On-balance-sheet unrealised gains and losses		At amortised cost	
	30.6.2012	31.12.2011	30.6.2012	31.12.2011	30.6.2012	31.12.2011
Fixed-interest	121,777	115,219	7,390	4,892	114,387	110,327
Non-fixed-interest	7,948	8,458	1,062	693	6,886	7,765
Total	129,725	123,677	8,452	5,585	121,273	118,092

Off-balance-sheet unrealised gains and losses

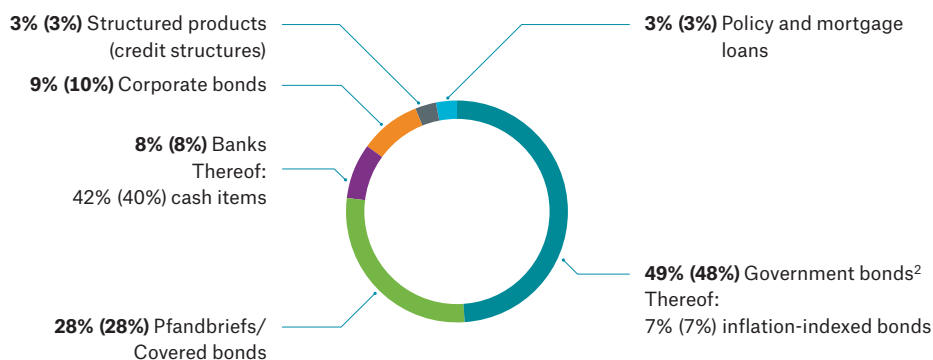
€m	Fair values		Off-balance-sheet unrealised gains and losses		Carrying amounts	
	30.6.2012	31.12.2011	30.6.2012	31.12.2011	30.6.2012	31.12.2011
Land and buildings ¹	7,954	8,013	1,717	1,739	6,237	6,274
Associates	1,261	1,250	322	326	939	924
Loans	60,290	56,893	5,962	3,633	54,328	53,260
Other securities	11	13	-	-	11	13
Tangible assets in renewable energies	325	267	11	7	314	260
Total	69,841	66,436	8,012	5,705	61,829	60,731

¹ Including owner-occupied property.

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

Fixed-interest portfolio according to economic categories¹

Total: €189bn (€178bn)



¹ Presentation essentially shows fixed-interest securities and loans, including deposits with banks, at market value. The economic view is not fully comparable with the IFRS figures.

² Including other public issuers and government-guaranteed bank bonds.

Nearly half our portfolio of fixed-interest investments comprises government bonds, the vast majority of which were from countries with a high credit rating. Pursuing our risk-conscious investment policy, we had already reduced our investments in southern European government bonds considerably in 2011. Only around 1% of our government bonds are now from Greek, Irish, Portuguese or Cypriot issuers, with a further 3% from Italian issuers, and 1% from Spanish issuers. These bonds are held almost entirely by our primary insurance segment. In the first half of this financial year, we invested more extensively in US government bonds and bonds issued by European Union institutions. New investments in government bonds from the emerging markets are also part of our balanced investment strategy.

Our overall portfolio of pfandbriefs hardly changed, continuing to be dominated by German pfandbriefs. Owing to the aggravated crisis in Spain, we reduced our portfolio of Spanish *cédulas hipotecarias* significantly to 5% of the total, switching mainly into Australian, French and British covered bonds. The remaining Spanish *cédulas* are also held almost fully in primary insurance.

9% of our fixed-interest portfolio consists of bonds issued by companies that are not financial services providers. Our exposure to such companies is increased by a further one percentage point through credit derivatives.

Our investments in banks remained more or less the same.

Fixed-interest securities: Bank portfolio¹

%	30.6.2012	31.12.2011
Senior bonds	37	39
Loss-bearing and subordinated liabilities	8	9
Cash items	42	40
Refinancing loans	2	2
Investment funds	6	7
Derivatives	5	3

¹ Presentation essentially shows fixed-interest securities and loans, including deposits with banks, at market value.
The economic view is not fully comparable with the IFRS figures.

At the reporting date, our proportion of bank bonds from southern European states and Ireland totalled less than 3%.

The carrying amount of our equity portfolio (including investments in affiliated companies and associates at market value) remained virtually unchanged. At the reporting date, our equity-backing ratio was 3.0% (3.2%).

Besides this, we protect ourselves against rapid inflation in an environment of continuing low interest rates: inflation-indexed bonds and inflation swaps with a total (nominal) value of €11.3bn (9.2bn), real assets like shares, property and commodities, and investments in renewable energies also have a positive diversification effect on the overall portfolio.

Investment result

	Q1-2 2012	Return ¹	Q1-2 2011	Return ¹	Q2 2012	Q2 2011
	€m	%	€m	%	€m	€m
Regular income	3,874	3.6	4,057	4.2	1,985	2,154
Write-ups/write-downs	-155	-0.2	-806	-0.8	24	-669
Net realised capital gains	380	0.4	640	0.6	8	240
Other income/expenses	-49	-	-423	-0.4	-211	-213
Total	4,050	3.8	3,468	3.6²	1,806	1,512

¹ Annualised return in % p.a. on the average market value of the investment portfolio at the quarterly reporting dates.

² 3.3% excluding the earnings from economic risk transfer to the capital market that are posted in the investment result.

Investment result by type of investment

	Q1-2 2012	Q1-2 2011	Change	Q2 2012	Q2 2011	Change
	€m	€m	%	€m	€m	%
Real estate	159	174	-8.6	60	102	-41.2
Investments in affiliated companies	-29	252	-	-31	254	-
Investments in associates	-	50	-100.0	2	43	-95.3
Mortgage loans and other loans	1,177	1,094	7.6	582	559	4.1
Other securities	2,601	2,101	23.8	1,296	630	105.7
Deposits retained on assumed reinsurance, and other investments	149	133	12.0	88	88	-
Investments for the benefit of life insurance policyholders who bear the investment risk	209	-123	-	-83	-50	-66.0
Expenses for the management of investments, other expenses	216	213	1.4	108	114	-5.3
Total	4,050	3,468	16.8	1,806	1,512	19.4

Regular income

Owing to the continuing overweight of investments in highly rated government bonds with simultaneously low interest rates, the amount of regular income fell slightly compared with the previous year.

Write-ups and write-downs

In the write-ups and write-downs of our investments, we posted net write-downs of €155m (806m), especially on equities, where the figure was up slightly on the same period of the previous year. An opposite effect derived from write-ups on our swaptions and other interest-rate derivatives due to a fall in interest-rate levels. Swaptions are used in hedging long-term interest-rate guarantees extended to life insurance clients. In the previous year the result had been burdened mainly by write-downs on Greek government bonds.

Realised gains/losses on investments

In the first half-year, we posted net gains on disposal through our active asset management, especially from switching investments in government bonds, pfandbriefs and corporate bonds. Additionally, we were able to realise gains on our equities portfolio. On the equity derivatives with which we hedge our equity portfolio against price setbacks, however, we posted losses on disposal.

Insurance derivatives

Also included in investments are securitisations by means of which we pass on or assume underwriting risks via capital market covers. These include catastrophe bonds and special forms of unit-linked life insurance (variable annuities). Regular income or expenditure, realised gains and write-ups/write-downs arising from changes in the value of our capital market covers are shown as a result from derivatives in the investment result. In the first half-year, such covers contributed approximately –€16m to the investment result, whereas in the previous year a particularly high positive balance of €200m from write-ups and write-downs was posted in the wake of the earthquake in Japan.

Asset management for clients

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.

The assets managed by PICC Asset Management Company Ltd. (PAMC), Shanghai, 81% of which belongs to PICC People's Insurance Company of China, and 19% to MEAG, reached €43.9bn (39.8bn).

Assets under management for third parties

				30.6.2012	31.12.2011	Change
				€bn	€bn	%
Third-party investments				10.7	10.4	2.9
Thereof: External institutional investors				8.8	8.5	3.5
Thereof: Private-client business				1.9	1.9	-
	Q1-2 2012	Q1-2 2011	Change	Q2 2012	Q2 2011	Change
	€m	€m	%	€m	€m	%
Group asset management result	-	-6	100.0	2	2	-

Prospects

- // Premium income of between €50bn and €52bn expected
- // Return on investment of around 3.5%
- // Consolidated result in the order of €2.5bn envisaged; well on track after satisfying business performance in the first half-year

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.

Changes in segment reporting

From the first quarter of 2012, the segments are shown after the elimination of intra-Group business. For this reason, the outlook we gave for 2012 in the 2011 annual report for the segments reinsurance, primary insurance and Munich Health can no longer be directly compared with the forecasts of this quarterly report for these segments. In general, the projections for segment premiums and the segment result are lower or at most the same compared with the view prior to the elimination of intra-Group business. As an example, in the reinsurance segments, the premiums and results from intra-Group reinsurance or dividend income from the shareholding in ERGO Versicherungsguppe AG are no longer included. By contrast, the effects on the combined ratio are of minor relevance. In the following outlook for the individual segments, reference will be made to any expectations that have changed from those indicated in the 2011 annual report. The changes to segment reporting have no effect on the consolidated result expected for the Group. Further information can be found in the notes to the financial statements on page 42.

Business environment

The global economy is likely to gain a little momentum in the second half of 2012, but over the year as a whole, growth will probably be below that of last year. The intermittent fall in crude oil prices should further dampen inflation.

Nevertheless, the outlook for the economy and inflation is subject to very high risks, especially a further worsening of the sovereign debt and banking crisis in the eurozone and the resultant implications for the world economy. In particular, a Greek exit from the currency union remains a possibility, with contagion potential for other countries in the eurozone. The financial situation of Spain or Italy could also contribute to a further deterioration of the eurozone crisis. Even in France, there is a gradual worsening of the situation with regard to the country's public finances. Besides this, there is the threat of possible drastic fiscal policy impacts in the USA next year (if the political parties cannot agree on a correction of otherwise automatically triggered tax increases and

spending cuts) and of a possible marked deceleration of growth in China. Given the subdued economic situation, it is likely that the monetary policy pursued by many central banks will remain expansionary, which could result in inflation risks in the medium term.

Reinsurance

Reinsurance continues to hold considerable promise for the future, with a wide variety of earnings opportunities. Particularly after major losses of the kind we experienced in 2011, general risk awareness is heightened. 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 against major claims and accumulation losses, or strengthening their capital base. In addition to this, we devise innovative coverage concepts that go beyond the scope of traditional reinsurance. And we partner our clients in the often challenging task of adjusting to changes in regulatory requirements, which are being made significantly more demanding in many countries.

We see further growth opportunities in life reinsurance. Opportunities will also derive 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. Capital relief solutions should also continue to be in demand. For 2012, we expect a slight increase in gross premiums written to around €10.5bn and are targeting a technical result of around €400m. In 2010, we set ourselves the objective of achieving value added by new business of €450m a year by 2015 based on Market Consistent Embedded Value (MCEV) Principles. Given the very good results of recent years, we see ourselves as well positioned to achieve this goal.

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

As at 1 July 2012, some 12% of our treaty business with a volume of around €1.9bn was up for renewal. It concerned in particular parts of the US portfolio, Australia and Latin America, and business with individual global clients. As in the past renewals, we achieved a very satisfactory profitability level combined with a slight price increase of 2.0%, whilst expanding our premium volume by 18.5%.

For the renewals in 2013, we envisage that prices will continue to be stable overall. This also applies to natural catastrophe business, unless major loss events intervene. In the casualty classes, we are proceeding on the assumption that prices will stabilise with a trend towards slight increases. A further continuation of the low-interest-rate phase would support a positive price trend.

For 2012, we expect gross premiums written of just under €17bn in property-casualty reinsurance. We aim for a combined ratio of approximately 96% of net earned premiums over the market and interest-rate cycle as a whole, and for 2012. The uncertainties involved in such an estimate derive in part from the random incidence of major-loss expenditure. In the first half-year, despite our Group's deliberately conservative reserving practice, we bettered this mark slightly with a low burden from major losses.

The consolidated result in reinsurance for 2012 should total over €2.0bn, an increase on the outlook given in the 2011 annual report (please also see page 24 "Changes in segment reporting").

Our assumption is that premiums in reinsurance will range between €27bn and €28bn in 2012, provided there are no significant changes in exchange rates compared with the average rates for the first half-year. The expected figure has risen compared with the forecast made in the 2011 annual report and in the report for the first quarter.

Primary insurance

We see good opportunities for primary insurance not only in evolving foreign markets but also in various sectors of our German domestic market.

Following approval by the competent supervisory authority in April 2012, ERGO has begun developing a joint venture agreed on in January 2011 with the Shandong State-owned Assets Investment Holding Company (SSAIH). The company is to be called ERGO China Life Insurance Co., Ltd. and to offer mainly life insurance products for private clients in the province of Shandong. ERGO and SSAIH will each hold half of the shares in the joint venture. Subject to further approval by the authorities, business operations are scheduled to commence in the first half of 2013.

In July 2012, ERGO announced details of the plans for its sales quality and efficiency programme. To improve the quality of advisory services, the various advisory and support functions in the sales organisations are to be harmonised, and the complexity of sales structures reduced, thus significantly reducing costs. To this end, the current five sales organisations are to be merged into two, under the umbrella of one sales company.

For 2012, we expect premium development in the individual segments of primary insurance to be varied, with a positive trend overall.

In life primary insurance, our total premium income is likely to be below the previous year's level at just under €7.5bn, with gross premiums written totalling nearly €6bn. Developments in German and international business will, however, greatly hinge on single-premium business, income from which will partly depend on movements in the interest-rate environment in the second half of the year. We currently do not expect any marked increase in single-premium volume.

Due to the lowering of the guaranteed interest rate in Germany with effect from 1 January 2012, the weak development of new business in private provision for old age could persist. It remains to be seen how the introduction of unisex pricing as at 21 December 2012 will influence premium development.

On 25 July 2012, the German Federal Court of Justice issued a judgement on the effectiveness of insurance terms and conditions relating to surrender values, lapse deductions and the offsetting of acquisition costs among other things. It concerns clauses in the general terms and conditions for cash value life insurance and deferred and unit-linked annuity insurance that govern arrangements when these insurances are cancelled or converted into paid-up policies. This could give rise to additional burdens for our life insurance companies.

In the health segment, we are aiming for a slight increase in premium income to just under €6bn. While we should be able to achieve premium growth in supplementary health cover, premium volume in comprehensive health insurance should more or less attain last year's level.

In property-casualty insurance, we expect premium expansion to slightly more than €5.5bn, which should derive from German and international business. Our target combined ratio for property-casualty business is a level of below 95%, and in international business we anticipate a further improvement compared with 2011.

Our assumption is that total premium income in primary insurance will be somewhat less than €19bn in 2012, i.e. marginally lower than expected at the end of 2011. We expect that gross premiums written will total between €17bn and €18bn.

We are targeting a consolidated result of around €450m for the primary insurance segment and €400m for the ERGO Group, not taking into account restructuring expenses that may be accounted for already in 2012 in connection with the sales reorganisation programme. The difference between the two figures is mainly attributable to intra-Group business between reinsurance and primary insurance.

Munich Health

There are a host of growth avenues in the international healthcare markets, in particular due to advances in medicine and the related costs, and to improved life expectancy. We intend to take advantage of these opportunities.

We take a generally positive view of the US Supreme Court's decision upholding the core of the President's healthcare reform. In reinsurance, we anticipate rising demand as a result of increasing numbers of insureds and individual changes in the risk transfer models. In the Medicare sector for seniors, which is assignable to primary insurance, we see a continuation of the growth trend, but accompanied by generally lower margins owing to regulatory changes such as bonus mechanisms linked to the quality of care and a more restrictive reimbursement approach.

Gross premiums written by Munich Health are likely to be approximately €6.5bn in 2012, a somewhat higher forecast than given in the 2011 annual report. We anticipate that the combined ratio for property-casualty business will be around 100%. Large-volume capital substitute solutions in reinsurance will ensure continued growth. For 2012, the consolidated result should be about €50m.

Munich Re (Group)

Our assumption for 2012 is that gross premiums written will range between €50bn and €52bn, provided there are no significant changes in exchange rates compared with the average rates for the first half-year.

We are adhering to our long-term objective of a 15% return on our risk-adjusted capital (RORAC) after tax across the cycle of the insurance and interest-rate markets. However, this target will be difficult to achieve given the currently low level of interest rates on low-risk investments. Once the requirements of Solvency II and the fundamentals of 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.

For the current year, given average loss experience, we project a much better technical result than in 2011. The return on investment for 2012 is likely to be approximately 3.5%. As part of our plan to invest more in infrastructure projects, we acquired 18.75% of the Open Grid Europe GmbH (OGE), Essen, for a low three-digit million euro amount in July 2012. This company owns and operates the longest regulated supra-regional gas transmission system in Germany.

At the beginning of the year, our target for 2012 as a whole was a profit in the order of €2.5bn, equivalent to a RORAC of around 10%. With a profit of €1.6bn for the first half-year, we have achieved well over 60% of this target. Even if ERGO posts a significant restructuring reserve, we are well on track to slightly surpass the original annual profit target of €2.5bn. This profit guidance is subject to the amount of major losses actually incurred and the impact of severe currency or capital market developments on our income statement.

The further development of the sovereign debt and banking crisis poses the greatest risks in this regard, but we consider ourselves well-equipped overall. We analyse the potential implications of the scenarios we consider possible for the financial markets, our investments and underwriting liabilities and systematically limit our risk exposure. Every scenario involves certain losses on the assets side, but as a rule these would also involve gains elsewhere, because diversification effects and our Group-wide asset-liability management are designed to effectively dampen any potentially negative effect.

Beyond this, the statements relating to opportunities and risks as presented in the Munich Re Group Annual Report 2011 apply unchanged.

Interim consolidated financial statements

Consolidated balance sheet as at 30 June 2012

Assets

	30.6.2012			31.12.2011	Change	
	€m	€m	€m	€m	€m	%
A. Intangible assets						
I. Goodwill		3,546		3,511	35	1.0
II. Other intangible assets		1,535		1,581	-46	-2.9
			5,081	5,092	-11	-0.2
B. Investments						
I. Land and buildings, including buildings on third-party land		3,848		3,889	-41	-1.1
Thereof:						
Held for sale		-		13	-13	-100.0
II. Investments in affiliated companies and associates		1,186		1,154	32	2.8
Thereof:						
Associates accounted for using the equity method		939		924	15	1.6
III. Loans		54,328		53,260	1,068	2.0
IV. Other securities						
1. Held to maturity	11			13	-2	-15.4
2. Available for sale	129,725			123,677	6,048	4.9
Thereof:						
Held for sale	102			52	50	96.2
3. At fair value through profit or loss	2,745			2,536	209	8.2
		132,481		126,226	6,255	5.0
V. Deposits retained on assumed reinsurance		9,189		9,430	-241	-2.6
VI. Other investments		2,648		2,655	-7	-0.3
			203,680	196,614	7,066	3.6
C. Investments for the benefit of life insurance policyholders who bear the investment risk			5,499	5,093	406	8.0
Thereof:						
Held for sale			110	-	110	-
D. Ceded share of technical provisions			5,811	5,634	177	3.1
Thereof:						
Held for sale			-	13	-13	-100.0
E. Receivables						
I. Current tax receivables		830		802	28	3.5
II. Other receivables		11,630		11,292	338	3.0
Thereof:						
Held for sale		11		-	11	-
			12,460	12,094	366	3.0
F. Cash at bank, cheques and cash in hand			2,793	2,490	303	12.2
G. Deferred acquisition costs						
Gross		9,478		9,386	92	1.0
Ceded share		142		44	98	222.7
Net			9,336	9,342	-6	-0.1
H. Deferred tax assets			8,006	7,547	459	6.1
I. Other assets			3,554	3,674	-120	-3.3
Total assets			256,220	247,580	8,640	3.5

Consolidated balance sheet

Equity and liabilities

	30.6.2012		31.12.2011	Change	
	€m	€m	€m	€m	%
A. Equity					
I. Issued capital and capital reserve	7,388		7,388	-	-
II. Retained earnings	11,065		11,588	-523	-4.5
III. Other reserves	5,097		3,384	1,713	50.6
IV. Consolidated result attributable to Munich Reinsurance Company equity holders	1,588		702	886	126.2
V. Non-controlling interests	233		247	-14	-5.7
		25,371	23,309	2,062	8.8
B. Subordinated liabilities		5,491	4,683	808	17.3
C. Gross technical provisions					
I. Unearned premiums	8,808		8,391	417	5.0
Thereof:					
Held for sale	82		24	58	241.7
II. Provision for future policy benefits	109,856		108,477	1,379	1.3
Thereof:					
Held for sale	14		-	14	-
III. Provision for outstanding claims	55,633		54,392	1,241	2.3
Thereof:					
Held for sale	34		16	18	112.5
IV. Other technical provisions	11,566		10,162	1,404	13.8
		185,863	181,422	4,441	2.4
D. Gross technical provisions for life insurance policies where the investment risk is borne by the policyholders		5,784	5,373	411	7.6
Thereof:					
Held for sale		110	-	110	-
E. Other accrued liabilities		3,485	3,522	-37	-1.1
F. Liabilities					
I. Bonds and notes issued	269		263	6	2.3
II. Deposits retained on ceded business	2,695		2,726	-31	-1.1
III. Current tax liabilities	3,494		3,388	106	3.1
IV. Other liabilities	13,137		13,051	86	0.7
		19,595	19,428	167	0.9
G. Deferred tax liabilities		10,631	9,843	788	8.0
Total equity and liabilities		256,220	247,580	8,640	3.5

Consolidated income statement for the period 1 January to 30 June 2012

Items

	Q1-2 2012			Q1-2 2011	Change	
	€m	€m	€m	€m	€m	%
Gross premiums written	25,897			24,949	948	3.8
1. Earned premiums						
Gross	25,606			23,991	1,615	6.7
Ceded	719			746	-27	-3.6
Net		24,887		23,245	1,642	7.1
2. Income from technical interest¹		3,408		2,630	778	29.6
3. Expenses for claims and benefits						
Gross	20,972			22,148	-1,176	-5.3
Ceded share	444			639	-195	-30.5
Net		20,528		21,509	-981	-4.6
4. Operating expenses						
Gross	6,217			5,794	423	7.3
Ceded share	153			162	-9	-5.6
Net		6,064		5,632	432	7.7
5. Technical result (1-4)			1,703	-1,266	2,969	-
6. Investment result						
Investment income	7,363			7,349	14	0.2
Investment expenses	3,313			3,881	-568	-14.6
Total		4,050		3,468	582	16.8
Thereof:						
Income from associates accounted for using the equity method		-		49	-49	-100.0
7. Other operating income		393		351	42	12.0
8. Other operating expenses		434		360	74	20.6
9. Deduction of income from technical interest		-3,408		-2,630	-778	-29.6
10. Non-technical result (6-9)			601	829	-228	-27.5
11. Operating result			2,304	-437	2,741	-
12. Other non-operating result			-237	-84	-153	-182.1
13. Impairment losses of goodwill			5	21	-16	-76.2
14. Net finance costs			-145	-138	-7	-5.1
15. Taxes on income			323	-470	793	-
16. Consolidated result			1,594	-210	1,804	-
Thereof:						
Attributable to Munich Reinsurance Company equity holders			1,588	-211	1,799	-
Attributable to non-controlling interests			6	1	5	500.0
			€	€	€	%
Earnings per share			8.94	-1.18	10.12	-

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

Consolidated income statement for the period 1 April to 30 June 2012

Items

	Q2 2012			Q2 2011	Change	
	€m	€m	€m	€m	€m	%
Gross premiums written	12,632			11,969	663	5.5
1. Earned premiums						
Gross	12,832			11,934	898	7.5
Ceded	355			359	-4	-1.1
Net		12,477		11,575	902	7.8
2. Income from technical interest¹		1,421		1,177	244	20.7
3. Expenses for claims and benefits						
Gross	10,476			9,599	877	9.1
Ceded share	224			238	-14	-5.9
Net		10,252		9,361	891	9.5
4. Operating expenses						
Gross	3,008			2,860	148	5.2
Ceded share	93			85	8	9.4
Net		2,915		2,775	140	5.0
5. Technical result (1-4)			731	616	115	18.7
6. Investment result						
Investment income	3,677			3,755	-78	-2.1
Investment expenses	1,871			2,243	-372	-16.6
Total		1,806		1,512	294	19.4
Thereof:						
Income from associates accounted for using the equity method		2		43	-41	-95.3
7. Other operating income		234		166	68	41.0
8. Other operating expenses		248		170	78	45.9
9. Deduction of income from technical interest		-1,421		-1,177	-244	-20.7
10. Non-technical result (6-9)			371	331	40	12.1
11. Operating result			1,102	947	155	16.4
12. Other non-operating result			-42	2	-44	-
13. Impairment losses of goodwill			5	-	5	-
14. Net finance costs			-79	-69	-10	-14.5
15. Taxes on income			164	142	22	15.5
16. Consolidated result			812	738	74	10.0
Thereof:						
Attributable to Munich Reinsurance Company equity holders			808	736	72	9.8
Attributable to non-controlling interests			4	2	2	100.0
			€	€	€	%
Earnings per share			4.54	4.14	0.40	9.7

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

Consolidated income statement (quarterly breakdown)

Items

	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011
	€m	€m	€m	€m	€m	€m
Gross premiums written	12,632	13,265	12,406	12,217	11,969	12,980
1. Earned premiums						
Gross	12,832	12,774	13,024	12,119	11,934	12,057
Ceded	355	364	653	323	359	387
Net	12,477	12,410	12,371	11,796	11,575	11,670
2. Income from technical interest	1,421	1,987	1,749	1,573	1,177	1,453
3. Expenses for claims and benefits						
Gross	10,476	10,496	10,527	9,648	9,599	12,549
Ceded share	224	220	398	252	238	401
Net	10,252	10,276	10,129	9,396	9,361	12,148
4. Operating expenses						
Gross	3,008	3,209	3,516	2,995	2,860	2,934
Ceded share	93	60	78	76	85	77
Net	2,915	3,149	3,438	2,919	2,775	2,857
5. Technical result (1-4)	731	972	553	1,054	616	-1,882
6. Investment result						
Investment income	3,677	3,686	4,240	4,982	3,755	3,594
Investment expenses	1,871	1,442	2,299	3,635	2,243	1,638
Total	1,806	2,244	1,941	1,347	1,512	1,956
Thereof:						
Income from associates accounted for using the equity method	2	-2	16	35	43	6
7. Other operating income	234	159	292	200	166	185
8. Other operating expenses	248	186	259	189	170	190
9. Deduction of income from technical interest	-1,421	-1,987	-1,749	-1,573	-1,177	-1,453
10. Non-technical result (6-9)	371	230	225	-215	331	498
11. Operating result	1,102	1,202	778	839	947	-1,384
12. Other non-operating result	-42	-195	-216	-407	2	-86
13. Impairment losses of goodwill	5	-	-	4	-	21
14. Net finance costs	-79	-66	-74	-76	-69	-69
15. Taxes on income	164	159	-144	62	142	-612
16. Consolidated result	812	782	632	290	738	-948
Thereof:						
Attributable to Munich Reinsurance Company equity holders	808	780	627	286	736	-947
Attributable to non-controlling interests	4	2	5	4	2	-1
	€	€	€	€	€	€
Earnings per share	4.54	4.39	3.53	1.61	4.14	-5.28

Statement of recognised income and expense for the period 1 January to 30 June 2012

€m	Q1-2 2012	Q1-2 2011
Consolidated result	1,594	-210
Currency translation		
Gains (losses) recognised in equity	346	-792
Recognised in the consolidated income statement	-	-
Unrealised gains and losses on investments		
Gains (losses) recognised in equity	1,701	110
Recognised in the consolidated income statement	-352	-448
Change resulting from valuation at equity		
Gains (losses) recognised in equity	26	8
Recognised in the consolidated income statement	-	-
Change resulting from cash flow hedges		
Gains (losses) recognised in equity	-	-1
Recognised in the consolidated income statement	-	5
Actuarial gains and losses on defined benefit plans	-112	31
Other changes	11	-1
Income and expense recognised directly in equity	1,620	-1,088
Total recognised income and expense	3,214	-1,298
Thereof:		
Attributable to Munich Reinsurance Company equity holders	3,192	-1,294
Attributable to non-controlling interests	22	-4

Statement of recognised income and expense for the period 1 April to 30 June 2012

€m	Q2 2012	Q2 2011
Consolidated result	812	738
Currency translation		
Gains (losses) recognised in equity	581	-235
Recognised in the consolidated income statement	-	-
Unrealised gains and losses on investments		
Gains (losses) recognised in equity	946	478
Recognised in the consolidated income statement	-148	-79
Change resulting from valuation at equity		
Gains (losses) recognised in equity	-8	-13
Recognised in the consolidated income statement	-	-
Change resulting from cash flow hedges		
Gains (losses) recognised in equity	-	-
Recognised in the consolidated income statement	-	5
Actuarial gains and losses on defined benefit plans	-137	40
Other changes	10	1
Income and expense recognised directly in equity	1,244	197
Total recognised income and expense	2,056	935
Thereof:		
Attributable to Munich Reinsurance Company equity holders	2,041	936
Attributable to non-controlling interests	15	-1

Group statement of changes in equity

	Issued capital	Capital reserve
€m		
Status at 31.12.2010	588	6,800
Allocation to retained earnings	-	-
Consolidated result	-	-
Income and expense recognised directly in equity	-	-
Currency translation	-	-
Unrealised gains and losses on investments	-	-
Change resulting from valuation at equity	-	-
Change resulting from cash flow hedges	-	-
Actuarial gains and losses on defined benefit plans	-	-
Other changes	-	-
Total recognised income and expense	-	-
Change in shareholdings in subsidiaries	-	-
Change in consolidated group	-	-
Dividend	-	-
Share buy-backs	-	-
Retirement of own shares	-	-
Status at 30.6.2011	588	6,800
Status at 31.12.2011	588	6,800
Allocation to retained earnings	-	-
Consolidated result	-	-
Income and expense recognised directly in equity	-	-
Currency translation	-	-
Unrealised gains and losses on investments	-	-
Change resulting from valuation at equity	-	-
Change resulting from cash flow hedges	-	-
Actuarial gains and losses on defined benefit plans	-	-
Other changes	-	-
Total recognised income and expense	-	-
Change in shareholdings in subsidiaries	-	-
Change in consolidated group	-	-
Dividend	-	-
Share buy-backs	-	-
Retirement of own shares	-	-
Status at 30.6.2012	588	6,800

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			
11,581	-846	2,850	-610	-2	2,422	245	23,028
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	-	-	-	-	-	-
11,934	-170	2,518	-1,403	2	-211	250	20,308
11,758	-170	3,603	-223	4	702	247	23,309
-408	-	-	-	-	408	-	-
-	-	-	-	-	1,588	6	1,594
-109	-	1,345	345	23	-	16	1,620
-	-	-	345	-	-	1	346
-	-	1,343	-	-	-	6	1,349
1	-	2	-	23	-	-	26
-	-	-	-	-	-	-	-
-112	-	-	-	-	-	-	-112
2	-	-	-	-	-	9	11
-109	-	1,345	345	23	1,588	22	3,214
-10	-	-	-	-	-	-33	-43
-	-	-	-	-	-	-	-
-	-	-	-	-	-1,110	-3	-1,113
-	4	-	-	-	-	-	4
-	-	-	-	-	-	-	-
11,231	-166	4,948	122	27	1,588	233	25,371

Condensed consolidated cash flow statement for the period from 1 January to 30 June 2012

€m	Q1-2 2012	Q1-2 2011
Consolidated result	1,594	-210
Net change in technical provisions	3,108	7,460
Change in deferred acquisition costs	6	-126
Change in deposits retained and accounts receivable and payable	141	-3,254
Change in other receivables and liabilities	-28	-682
Gains and losses on the disposal of investments	-381	-640
Change in securities at fair value through profit or loss	-138	-570
Change in other balance sheet items	-108	-121
Other income and expenses without impact on cash flow	57	1,081
I. Cash flows from operating activities	4,251	2,938
Change from losing control of consolidated subsidiaries	23	446
Change from obtaining control of consolidated subsidiaries	-101	-127
Change from the acquisition, sale and maturities of other investments	-3,160	244
Change from the acquisition and sale of investments for unit-linked life insurance	-190	-301
Other	10	49
II. Cash flows from investing activities	-3,418	311
Inflows from increase in capital and from non-controlling interests	-	-
Outflows to ownership interests and non-controlling interests	43	345
Dividend payments	1,113	1,115
Change from other financing activities	590	-1,559
III. Cash flows from financing activities	-566	-3,019
Cash flows for the financial year (I + II + III)	267	230
Effect of exchange rate changes on cash	36	-75
Cash at the beginning of the financial year	2,490	2,900
Cash at 30 June of the financial year	2,793	3,055

Selected notes to the consolidated financial statements

Recognition and measurement

This quarterly report as at 30 June 2012 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 2012. For existing or unchanged IFRSs, the same principles of recognition, measurement, consolidation and disclosure have been applied as in our consolidated financial statements as at 31 December 2011, with the exception of the changes mentioned below. In accordance with the rules of IFRS 4, underwriting items are recognised and measured on the basis of US GAAP (United States Generally Accepted Accounting Principles) at first-time adoption of IFRS 4 on 1 January 2005.

The following standards in particular have been adopted or amended:

The amendments to [IFRS 7 \(rev. 10/2010\), Financial Instruments: Disclosures, Improving Disclosures about Financial Instruments](#), contain more extensive disclosure requirements regarding the transfer of financial assets, with a view to making more transparent the influence of such transactions on the entity's risk exposure and hence its financial situation. This change currently has no practical significance for Munich Re.

The amendments to [IAS 12 \(rev. 12/2010\), Taxes on Income, Deferred Tax: Recovery of Underlying Assets](#), address the issue that the measurement of deferred tax items depends on whether the carrying amount of an asset is expected to be recovered through use or through sale. In practice, the two are often difficult to distinguish. The amendments provide a solution through the introduction of a rebuttable presumption that recovery of the carrying amount will normally be through sale. These amendments are mandatory for financial years beginning on or after 1 January 2012, but their adoption in the EU is still outstanding. As the clarification currently has no practical significance for Munich Re, no consequences result from this delay.

Our method of calculating the technical interest has been modified in the primary insurance segments with effect from the first quarter of 2012. This particularly affects the life primary insurance segment. In addition to the components used hitherto, the deposits retained on ceded business are now also taken into account as a basis for the technical interest. Thus the portion of investment income that corresponds to the deposit interest expense is included as a new component in the calculation of the technical interest and reallocated to the technical result. This change provides for a more accurate presentation of the technical result, since the latter now also reflects the interest expense for deposits retained. Pursuant to IAS 8.22, the modification has been applied with retroactive effect and the previous year's figures have been adjusted accordingly. As a result of the change, the income from technical interest in the life primary insurance segment in the first half-year of 2012 is higher than it would have been under the previous method. It is impracticable to determine the exact amount of this for the current period, but there was an increase of €60m for the same period last year, which includes the effect of the retroactive adjustment of a consolidated entry. In addition, the estimate for policyholders' bonuses has been refined, with the improved estimate being used as from the first quarter of 2012 for future periods.

Changes in the consolidated group

With legal effect from 6 June 2012, via its subsidiary MR RENT-Investment GmbH, Munich, Munich Re acquired 100% of the voting shares in the solar park operating company Magaz Fotovoltaica, S.L.U. (Magaz), Alcobendas, Spain, from BP Solar España (BP Solar), S.A.U., Alcobendas, Spain, and the BP Solar photovoltaic plant. The transaction makes the photovoltaic plant part of Magaz's assets.

A purchase price of €26.2m was paid for Magaz and the photovoltaic plant. No contingent purchase price adjustments were agreed. The purchase price comprises €4.6m for the acquisition of the acquired company's assets and a cash capital increase of €21.6m at Magaz for the acquisition of the photovoltaic plant. The goodwill of €5.2m arithmetically resulting from the transaction was written off in full after we carried out an impairment test.

On 29 June 2012, via its subsidiary MR RENT-Investment GmbH, Munich, Munich Re acquired 100% of the voting shares in the solar park company Sun Energy & Partners S.r.l. (SunEnergy), Brindisi, Italy, from SunEdison Solar B.V., Amsterdam, Netherlands. SunEnergy operates a photovoltaic plant on the outskirts of the town of Brindisi (near Lecce, in the Apulia region of Italy). A provisional purchase price of €75.2m was paid for the acquisition of SunEnergy. No contingent purchase price adjustments were agreed. The negative difference of €4.6m arithmetically resulting from the transaction was reversed after expert evaluation, and this was recognised in "other operating income".

The acquisitions are part of the RENT programme (Renewable Energy and New Technologies), through which Munich Re invests in renewable energies and new environmental technologies.

The provisional IFRS fair values of the assets and liabilities of the acquired companies at the time of acquisition are as follows:

IFRS fair values of the assets and liabilities at the acquisition date

€m	Magaz	SunEnergy
Purchase price	26	75
Cash	26	75
Liabilities assumed	-	-
Assets acquired	22	90
Intangible assets	8	19
Investments	9	52
Receivables ¹	1	10
Cash at bank, cheques and cash in hand	-	-
Deferred tax assets	4	5
Other assets	-	4
Liabilities assumed	1	10
Other reserves	-	-
Liabilities	-	3
Deferred tax liabilities	1	7
Other liabilities ²	-	-
Revenue included in the consolidated income statement since the acquisition date	-	-
Result included in the consolidated income statement since the acquisition date	-	-
Contributions to the consolidated revenues as if the acquisition date for the business combination had been 1 January 2012 ³	2	5

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

² No contingent liabilities, contingent payments or separate transactions within the meaning of IFRS 3 were identified.

³ The change in the consolidated result cannot be accurately calculated owing to lack of data at the beginning of the year.

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	
	30.6.2012	31.12.2011	Q2 2012	Q1 2012	Q2 2011	Q1 2011
Australian dollar	1.23805	1.26620	1.27053	1.24301	1.35471	1.36117
Canadian dollar	1.29375	1.32185	1.29628	1.31298	1.39349	1.34905
Pound sterling	0.80910	0.83530	0.81098	0.83444	0.88272	0.85434
Rand	10.37900	10.48050	10.41550	10.17240	9.77872	9.56836
Swiss franc	1.20115	1.21390	1.20146	1.20792	1.25180	1.28747
US dollar	1.26905	1.29815	1.28368	1.31077	1.43956	1.36872
Yen	101.2580	99.8797	102.8660	103.9420	117.3950	112.5780

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 business outside Germany)
- // Asset management (management of assets for the Group and for external investors)

Munich Re’s primary insurance segments comprise all the activities of the ERGO Insurance Group (ERGO). In addition, 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.

From the first quarter of 2012, our segment reporting under IFRS 8 no longer has a consolidation column. It thus reflects internal management criteria more closely and provides for greater transparency with regard to the result contributions of the individual segments. The previous year’s figures have been adjusted accordingly.

The changeover does not lead to any changes to the consolidated result. The adjustments result in shifts within and between the segments. This applies to both technical and non-technical items.

The segments reported under IFRS 8 are now shown after elimination of all intra-Group transactions (mainly dividend payments, sales, reinsurance transactions, receivables and corresponding interest income).

The conventions for the allocation of provisions for premium refunds have been defined Group-wide. In the case of the transfer of the international DKV companies to Munich Health Holding in 2011, a provision for deferred premium refunds totalling €50m was posted in the acquiring segment, i.e. Munich Health. This reserve has been allocated retroactively to health primary insurance and the figure for 2011 adjusted accordingly.

Intra-Group loans are completely eliminated in the balance sheet through consolidation. By contrast, the expenditure for the borrowers and income for the lenders is shown unconsolidated in the “other operating result” for the segments concerned. All intra-Group shareholdings are consolidated, and all earnings and expenditure of the subsidiaries are shown in their segments.

Segment assets

	Reinsurance					
	Life		Property-casualty		Life	
€m	30.6. 2012	31.12. 2011	30.6. 2012	31.12. 2011	30.6. 2012	31.12. 2011
A. Intangible assets	162	169	2,039	2,007	1,081	1,104
B. Investments						
I. Land and buildings, including buildings on third-party land	240	257	1,201	1,187	1,414	1,445
Thereof:						
Held for sale	-	-	-	-	-	13
II. Investments in affiliated companies and associates	19	89	552	453	131	132
Thereof:						
Associates accounted for using the equity method	1	75	471	386	99	101
III. Loans	14	14	56	56	35,159	33,910
IV. Other securities						
1. Held to maturity	-	-	-	-	11	13
2. Available for sale	15,308	14,489	54,759	51,355	34,893	34,352
Thereof:						
Held for sale	-	-	-	52	18	-
3. At fair value through profit or loss	600	549	969	909	1,061	989
	15,908	15,038	55,728	52,264	35,965	35,354
V. Deposits retained on assumed reinsurance	7,540	7,784	1,136	1,196	161	165
VI. Other investments	166	193	874	943	831	925
	23,887	23,375	59,547	56,099	73,661	71,931
C. Investments for the benefit of life insurance policyholders who bear the investment risk	-	-	-	-	5,498	5,092
Thereof:						
Held for sale	-	-	-	-	110	-
D. Ceded share of technical provisions	944	929	2,521	2,517	1,833	1,816
Thereof:						
Held for sale	-	-	-	13	-	-
E. Other segment assets	6,518	5,877	11,274	11,153	8,136	8,354
Thereof:						
Held for sale	-	-	-	-	-	-
Total segment assets	31,511	30,350	75,381	71,776	90,209	88,297

Selected notes to the consolidated financial statements

	Primary insurance				Munich Health		Asset management		Total	
	Health		Property-casualty							
	30.6. 2012	31.12. 2011	30.6. 2012	31.12. 2011	30.6. 2012	31.12. 2011	30.6. 2012	31.12. 2011	30.6. 2012	31.12. 2011
	680	683	918	911	189	199	12	19	5,081	5,092
	788	796	107	109	30	31	68	64	3,848	3,889
	-	-	-	-	-	-	-	-	-	13
	97	98	222	226	85	82	80	74	1,186	1,154
	84	86	140	148	81	71	63	57	939	924
	16,769	16,934	2,307	2,323	23	23	-	-	54,328	53,260
	-	-	-	-	-	-	-	-	11	13
	14,553	13,073	5,945	6,089	3,515	4,080	752	239	129,725	123,677
	-	-	84	-	-	-	-	-	102	52
	90	70	17	9	8	10	-	-	2,745	2,536
	14,643	13,143	5,962	6,098	3,523	4,090	752	239	132,481	126,226
	1	1	4	4	347	280	-	-	9,189	9,430
	84	76	300	139	65	114	328	265	2,648	2,655
	32,382	31,048	8,902	8,899	4,073	4,620	1,228	642	203,680	196,614
	-	-	-	-	1	1	-	-	5,499	5,093
	-	-	-	-	-	-	-	-	110	-
	24	11	363	310	126	51	-	-	5,811	5,634
	-	-	-	-	-	-	-	-	-	13
	3,444	3,459	4,365	3,938	2,179	2,229	233	137	36,149	35,147
	-	-	11	-	-	-	-	-	11	-
	36,530	35,201	14,548	14,058	6,568	7,100	1,473	798	256,220	247,580

Segment liabilities

	Reinsurance					
	Life		Property-casualty		Life	
€m	30.6. 2012	31.12. 2011	30.6. 2012	31.12. 2011	30.6. 2012	31.12. 2011
A. Subordinated liabilities	1,340	1,350	3,832	3,041	71	72
B. Gross technical provisions						
I. Unearned premiums	47	45	6,014	6,070	10	8
Thereof:						
Held for sale	-	-	-	24	-	-
II. Provision for future policy benefits	13,640	13,682	32	-	69,864	69,334
Thereof:						
Held for sale	-	-	-	-	14	-
III. Provision for outstanding claims	5,370	5,087	41,525	40,670	1,543	1,581
Thereof:						
Held for sale	-	-	-	16	-	-
IV. Other technical provisions	538	489	64	79	3,181	2,378
	19,595	19,303	47,635	46,819	74,598	73,301
C. Gross technical provisions for life insurance policies where the investment risk is borne by the policyholders	-	-	-	-	5,783	5,372
Thereof:						
Held for sale	-	-	-	-	110	-
D. Other accrued liabilities	151	164	608	672	475	506
E. Other segment liabilities	6,451	5,778	11,465	11,132	7,161	7,234
Total segment liabilities	27,537	26,595	63,540	61,664	88,088	86,485

Selected notes to the consolidated financial statements

	Primary insurance				Munich Health		Asset management		Total	
	Health		Property-casualty							
	30.6. 2012	31.12. 2011	30.6. 2012	31.12. 2011	30.6. 2012	31.12. 2011	30.6. 2012	31.12. 2011	30.6. 2012	31.12. 2011
	-	-	-	-	248	220	-	-	5,491	4,683
	138	97	2,108	1,728	491	443	-	-	8,808	8,391
	-	-	82	-	-	-	-	-	82	24
	25,025	24,216	420	409	875	836	-	-	109,856	108,477
	-	-	-	-	-	-	-	-	14	-
	921	944	5,160	5,034	1,114	1,076	-	-	55,633	54,392
	-	-	34	-	-	-	-	-	34	16
	7,566	7,009	158	152	59	55	-	-	11,566	10,162
	33,650	32,266	7,846	7,323	2,539	2,410	-	-	185,863	181,422
	-	-	-	-	1	1	-	-	5,784	5,373
	-	-	-	-	-	-	-	-	110	-
	194	222	1,878	1,756	143	160	36	42	3,485	3,522
	1,152	1,160	2,136	2,126	1,710	1,751	151	90	30,226	29,271
	34,996	33,648	11,860	11,205	4,641	4,542	187	132	230,849	224,271
	Equity								25,371	23,309
	Total equity and liabilities								256,220	247,580

Segment income statement 1.1.–30.6.2012

€m	Reinsurance			
	Life		Property-casualty	
	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011
Gross premiums written	5,294	4,788	8,397	8,281
1. Earned premiums				
Gross	5,295	4,788	8,533	7,779
Ceded	190	215	309	347
Net	5,105	4,573	8,224	7,432
2. Income from technical interest	315	335	661	677
3. Expenses for claims and benefits				
Gross	4,026	3,570	5,560	8,215
Ceded share	162	86	113	443
Net	3,864	3,484	5,447	7,772
4. Operating expenses				
Gross	1,360	1,262	2,491	2,282
Ceded share	59	82	42	55
Net	1,301	1,180	2,449	2,227
Thereof:				
Amortisation and impairment losses of acquired insurance portfolios	4	6	-	-
5. Technical result (1-4)	255	244	989	-1,890
6. Investment result				
Investment income	993	1,083	2,802	2,768
Investment expenses	595	554	1,746	1,697
Total	398	529	1,056	1,071
Thereof:				
Interest and similar income	352	376	770	786
Interest charges and similar expenses	1	10	6	42
Write-downs of investments	377	283	750	615
Write-ups of investments	290	254	588	683
Income from associates accounted for using the equity method	-	9	-18	42
7. Other operating income	49	30	115	124
Thereof:				
Interest and similar income	31	9	18	15
Write-ups of other operating assets	5	8	6	24
8. Other operating expenses	49	28	135	101
Thereof:				
Interest charges and similar expenses	23	6	29	10
Write-downs of other operating assets	3	3	4	9
9. Deduction of income from technical interest	-315	-335	-661	-677
10. Non-technical result (6-9)	83	196	375	417
11. Operating result	338	440	1,364	-1,473
12. Other non-operating result, net finance costs and impairment losses of goodwill	-50	18	-157	-57
13. Taxes on income	21	200	181	-796
14. Consolidated result	267	258	1,026	-734
Thereof:				
Attributable to Munich Reinsurance Company equity holders	267	259	1,026	-731
Attributable to non-controlling interests	-	-1	-	-3

Selected notes to the consolidated financial statements

	Primary insurance						Munich Health		Asset management		Total	
	Life		Health		Property-casualty							
	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011
	2,898	2,984	2,869	2,882	3,091	3,055	3,348	2,959	-	-	25,897	24,949
	2,895	2,985	2,828	2,836	2,756	2,693	3,299	2,910	-	-	25,606	23,991
	51	56	25	9	113	112	31	7	-	-	719	746
	2,844	2,929	2,803	2,827	2,643	2,581	3,268	2,903	-	-	24,887	23,245
	1,635	815	668	703	104	79	25	21	-	-	3,408	2,630
	3,901	3,247	3,006	3,037	1,770	1,702	2,709	2,377	-	-	20,972	22,148
	33	29	13	3	107	74	16	4	-	-	444	639
	3,868	3,218	2,993	3,034	1,663	1,628	2,693	2,373	-	-	20,528	21,509
	516	526	328	315	905	878	617	531	-	-	6,217	5,794
	6	9	6	2	22	13	18	1	-	-	153	162
	510	517	322	313	883	865	599	530	-	-	6,064	5,632
	12	14	3	3	-	1	-	-	-	-	19	24
	101	9	156	183	201	167	1	21	-	-	1,703	-1,266
	2,435	1,940	755	874	264	566	105	110	9	8	7,363	7,349
	657	1,125	148	293	121	159	45	52	1	1	3,313	3,881
	1,778	815	607	581	143	407	60	58	8	7	4,050	3,468
	1,404	1,502	637	622	151	158	52	61	3	3	3,369	3,508
	2	15	1	5	1	8	-	1	-	-	11	81
	129	794	31	151	60	46	13	19	1	1	1,361	1,909
	269	94	32	43	17	18	10	11	-	-	1,206	1,103
	2	-2	2	-2	5	1	7	-	2	1	-	49
	59	40	28	23	80	66	37	36	25	32	393	351
	3	5	5	-	1	3	11	7	2	3	71	42
	15	1	-	-	6	1	4	5	-	-	36	39
	47	46	45	33	104	102	38	29	16	21	434	360
	3	5	10	5	29	22	14	4	-	-	108	52
	4	7	2	2	14	21	2	4	-	-	29	46
	-1,635	-815	-668	-703	-104	-79	-25	-21	-	-	-3,408	-2,630
	155	-6	-78	-132	15	292	34	44	17	18	601	829
	256	3	78	51	216	459	35	65	17	18	2,304	-437
	-13	-19	-22	-16	-111	-165	-30	9	-4	-13	-387	-243
	65	3	25	25	19	48	-1	39	13	11	323	-470
	178	-19	31	10	86	246	6	35	-	-6	1,594	-210
	178	-18	31	10	79	239	7	35	-	-5	1,588	-211
	-	-1	-	-	7	7	-1	-	-	-1	6	1

Segment income statement 1.4.-30.6.2012

€m	Reinsurance			
	Life		Property-casualty	
	Q2 2012	Q2 2011	Q2 2012	Q2 2011
Gross premiums written	2,695	2,424	4,152	3,918
1. Earned premiums				
Gross	2,698	2,430	4,205	3,785
Ceded	90	100	157	167
Net	2,608	2,330	4,048	3,618
2. Income from technical interest	169	194	331	342
3. Expenses for claims and benefits				
Gross	2,128	1,918	2,858	2,661
Ceded share	68	42	81	147
Net	2,060	1,876	2,777	2,514
4. Operating expenses				
Gross	643	591	1,189	1,137
Ceded share	28	35	32	30
Net	615	556	1,157	1,107
Thereof:				
Amortisation and impairment losses of acquired insurance portfolios	2	4	-	-
5. Technical result (1-4)	102	92	445	339
6. Investment result				
Investment income	479	521	1,517	1,272
Investment expenses	261	275	971	857
Total	218	246	546	415
Thereof:				
Interest and similar income	183	216	382	382
Interest charges and similar expenses	-	6	4	24
Write-downs of investments	138	122	408	261
Write-ups of investments	100	114	369	275
Income from associates accounted for using the equity method	-	7	-14	35
7. Other operating income	30	9	70	55
Thereof:				
Interest and similar income	20	2	15	4
Write-ups of other operating assets	3	8	4	24
8. Other operating expenses	33	11	82	52
Thereof:				
Interest charges and similar expenses	17	4	22	8
Write-downs of other operating assets	3	3	3	4
9. Deduction of income from technical interest	-169	-194	-331	-342
10. Non-technical result (6-9)	46	50	203	76
11. Operating result	148	142	648	415
12. Other non-operating result, net finance costs and impairment losses of goodwill	5	25	-50	24
13. Taxes on income	15	112	77	-40
14. Consolidated result	138	55	521	479
Thereof:				
Attributable to Munich Reinsurance Company equity holders	138	56	521	482
Attributable to non-controlling interests	-	-1	-	-3

Selected notes to the consolidated financial statements

Primary insurance							Munich Health		Asset management		Total	
	Life		Health		Property-casualty							
	Q2 2012	Q2 2011	Q2 2012	Q2 2011	Q2 2012	Q2 2011	Q2 2012	Q2 2011	Q2 2012	Q2 2011	Q2 2012	Q2 2011
	1,449	1,462	1,412	1,426	1,256	1,267	1,668	1,472	-	-	12,632	11,969
	1,446	1,463	1,420	1,431	1,383	1,360	1,680	1,465	-	-	12,832	11,934
	23	28	13	5	46	56	26	3	-	-	355	359
	1,423	1,435	1,407	1,426	1,337	1,304	1,654	1,462	-	-	12,477	11,575
	546	271	309	319	53	40	13	11	-	-	1,421	1,177
	1,705	1,481	1,487	1,497	895	851	1,403	1,191	-	-	10,476	9,599
	17	18	7	-	35	30	16	1	-	-	224	238
	1,688	1,463	1,480	1,497	860	821	1,387	1,190	-	-	10,252	9,361
	269	270	162	160	443	434	302	268	-	-	3,008	2,860
	2	4	3	1	17	14	11	1	-	-	93	85
	267	266	159	159	426	420	291	267	-	-	2,915	2,775
	5	7	2	2	-	1	-	-	-	-	9	14
	14	-23	77	89	104	103	-11	16	-	-	731	616
	1,103	1,035	385	439	132	424	54	55	7	9	3,677	3,755
	441	777	99	207	71	95	27	31	1	1	1,871	2,243
	662	258	286	232	61	329	27	24	6	8	1,806	1,512
	691	753	322	320	73	78	25	31	2	2	1,678	1,782
	1	8	-	3	1	6	-	1	-	-	6	48
	61	609	18	124	46	33	7	11	1	1	679	1,161
	208	63	15	26	5	8	6	6	-	-	703	492
	1	-1	-	-3	12	1	1	-1	2	5	2	43
	39	20	15	8	45	41	22	14	13	19	234	166
	1	4	2	-	1	3	9	3	1	2	49	18
	14	1	-	-	3	1	3	5	-	-	27	39
	23	18	24	17	55	46	22	15	9	11	248	170
	2	2	6	3	15	12	10	2	-	-	72	31
	2	3	1	1	11	2	1	2	-	-	21	15
	-546	-271	-309	-319	-53	-40	-13	-11	-	-	-1,421	-1,177
	132	-11	-32	-96	-2	284	14	12	10	16	371	331
	146	-34	45	-7	102	387	3	28	10	16	1,102	947
	-15	-12	-12	-4	-52	-104	-	13	-2	-9	-126	-67
	39	1	18	7	7	34	2	23	6	5	164	142
	92	-47	15	-18	43	249	1	18	2	2	812	738
	92	-47	15	-18	39	242	1	18	2	3	808	736
	-	-	-	-	4	7	-	-	-	-1	4	2

Non-current assets by country¹

€m	30.6.2012	31.12.2011
Germany	7,596	7,721
USA	2,122	2,109
Austria	427	441
UK	291	296
Italy	264	201
Sweden	248	245
Spain	177	161
France	158	159
Netherlands	153	160
Poland	147	129
Switzerland	98	99
Portugal	66	69
Others	280	287
Total	12,027	12,077

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

Investments in non-current assets per segment¹

€m	30.6.2012	31.12.2011
Reinsurance life	22	89
Reinsurance property-casualty	116	330
Primary insurance life	23	69
Primary insurance health	10	26
Primary insurance property-casualty	61	182
Munich Health	10	115
Asset management	2	7
Total	244	818

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

Gross premiums written

	Reinsurance		Primary insurance		Munich Health		Total	
€m	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011
Europe	4,417	4,436	8,775	8,826	963	790	14,155	14,052
North America	5,865	5,322	1	-	2,152	1,969	8,018	7,291
Asia and Australasia	2,250	2,250	76	90	99	78	2,425	2,418
Africa, Near and Middle East	389	385	2	2	133	118	524	505
Latin America	770	676	4	3	1	4	775	683
Total	13,691	13,069	8,858	8,921	3,348	2,959	25,897	24,949

Gross premiums written

	Reinsurance		Primary insurance		Munich Health		Total	
€m	Q2 2012	Q2 2011	Q2 2012	Q2 2011	Q2 2012	Q2 2011	Q2 2012	Q2 2011
Europe	2,097	1,943	4,079	4,107	450	385	6,626	6,435
North America	3,030	2,592	-	-	1,094	985	4,124	3,577
Asia and Australasia	1,142	1,282	35	45	60	44	1,237	1,371
Africa, Near and Middle East	206	186	1	1	63	57	270	244
Latin America	372	339	2	2	1	1	375	342
Total	6,847	6,342	4,117	4,155	1,668	1,472	12,632	11,969

Notes to the consolidated balance sheet

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

Development of goodwill

€m	Reinsurance		Primary insurance		Munich Health	Total Q1-2 2012	Total Q1-2 2011
	Munich Re America	Other	ERGO Insurance Group	Other	Other		
Goodwill from acquisition of							
Gross carrying amount at 31 Dec. previous year	1,062	435	1,754	554	154	3,959	3,876
Accumulated impairment losses at 31 Dec. previous year	-	27	-	381	40	448	423
Carrying amount at 31 Dec. previous year	1,062	408	1,754	173	114	3,511	3,453
Currency translation differences	25	9	-	-	1	35	-110
Additions	-	5	-	-	-	5	39
Disposals	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-
Impairment losses	-	5	-	-	-	5	21
Carrying amount at 30 June	1,087	417	1,754	173	115	3,546	3,361
Accumulated impairment losses at 30 June	-	32	-	381	40	453	444
Gross carrying amount at 30 June	1,087	449	1,754	554	155	3,999	3,805

Breakdown of other intangible assets

€m	30.6.2012	31.12.2011
Acquired insurance portfolios	509	533
Software	364	367
Self-developed	143	158
Other	221	209
Acquired brand names	74	85
Acquired distribution networks/client bases	408	433
Acquired licences/patents	136	110
Other	44	53
Self-developed	-	-
Other	44	53
Total	1,535	1,581

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

	30.6.2012	31.12.2011
Number of shares in circulation	177,630,198	177,588,750
Number of own shares held	1,711,014	1,752,462
Total	179,341,212	179,341,212

Non-controlling interests

€m	30.6.2012	31.12.2011
Unrealised gains and losses	15	10
Consolidated result	6	10
Other equity	212	227
Total	233	247

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

Subordinated liabilities

€m	30.6.2012	31.12.2011
Munich Reinsurance Company, Munich, 6.25% until 2022, thereafter floating, €900m, Bonds 2012/2042 S&P rating: A	892	-
Munich Reinsurance Company, Munich, 6.625% until 2022, thereafter floating, £450m, Bonds 2012/2042 S&P rating: A	554	-
Munich Reinsurance Company, Munich, 6.00% until 2021, thereafter floating, €1,000m, Bonds 2011/2041 S&P rating: A	988	987
Munich Reinsurance Company, Munich, 5.767% until 2017, thereafter floating, €1,349m, Bonds 2007/perpetual S&P rating: A	1,584	1,562
Munich Reinsurance Company, Munich, 6.75% until 2013, thereafter floating, €1,000m ¹ , Bonds 2003/2023 S&P rating: A	995	1,669
Munich Reinsurance Company, Munich, 7.625% until 2018, thereafter floating, £300m, Bonds 2003/2028 S&P rating: A	369	357
Bank Austria Creditanstalt Versicherung AG, Vienna, 4.95%, €50m, Registered bonds 2004/2014 Rating: -	50	51
Bank Austria Creditanstalt Versicherung AG, Vienna, secondary market yield on federal government bonds (Austria) +70 BP, €12m ² , Registered bonds 2001/perpetual Rating: -	10	10
Bank Austria Creditanstalt Versicherung AG, Vienna, secondary market yield on federal government bonds (Austria) +70 BP, €13m ³ , Registered bonds 1998/perpetual Rating: -	11	11
HSB Group Inc., Delaware LIBOR +91 BP, US\$ 76m, Bonds 1997/2027 Rating: -	38	36
Total	5,491	4,683

¹ In the first half-year 2012, the issuer bought back bonds with a nominal value of €678m.

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

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

On 29 March 2012, we issued two subordinated bonds with a volume of €900m and £450m respectively. With a term of 30 years, the bonds are first callable on 26 May 2022. Up to then, they have a coupon rate of 6.25% and 6.625% p.a. respectively and thereafter a floating rate. In return, as part of our active capital management, we bought back around €660m of our subordinated bond 2003/2023 via a tender offer at a price of 106%. Acceptance of this tender offer became legally effective on 23 March 2012. The repurchased amount of the subordinated bond 2003/2023 was cancelled from the books as at the settlement date of 2 April 2012, whilst the effect of the buy-back on the result was recognised in the first quarter. At the end of April, a further €18m of our subordinated bond 2003/2023 was repurchased at a price of 106% in an open-market buy-back.

Bonds and notes issued

€m	30.6.2012	31.12.2011
Munich Re America Corporation, Wilmington, 7.45%, US\$ 342m, Senior notes 1996/2026 S&P rating: A-	269	263
Total	269	263

Notes to the consolidated income statement

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

Premiums

€m	Reinsurance			
	Life		Property-casualty	
	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011
Gross premiums written	5,294	4,788	8,397	8,281
Change in gross unearned premiums	-1	-	-136	502
Gross earned premiums	5,295	4,788	8,533	7,779
Ceded premiums written	190	215	408	274
Change in unearned premiums – Ceded share	-	-	99	-73
Earned premiums ceded	190	215	309	347
Net earned premiums	5,105	4,573	8,224	7,432

€m	Primary insurance					
	Life		Health		Property-casualty	
	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011
Gross premiums written	2,898	2,984	2,869	2,882	3,091	3,055
Change in gross unearned premiums	3	-1	41	46	335	362
Gross earned premiums	2,895	2,985	2,828	2,836	2,756	2,693
Ceded premiums written	51	56	34	10	125	120
Change in unearned premiums – Ceded share	-	-	9	1	12	8
Earned premiums ceded	51	56	25	9	113	112
Net earned premiums	2,844	2,929	2,803	2,827	2,643	2,581

€m	Munich Health		Total	
	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011
Gross premiums written	3,348	2,959	25,897	24,949
Change in gross unearned premiums	49	49	291	958
Gross earned premiums	3,299	2,910	25,606	23,991
Ceded premiums written	102	8	910	683
Change in unearned premiums – Ceded share	71	1	191	-63
Earned premiums ceded	31	7	719	746
Net earned premiums	3,268	2,903	24,887	23,245

Premiums

	Reinsurance			
	Life		Property-casualty	
€m	Q2 2012	Q2 2011	Q2 2012	Q2 2011
Gross premiums written	2,695	2,424	4,152	3,918
Change in gross unearned premiums	-3	-6	-53	133
Gross earned premiums	2,698	2,430	4,205	3,785
Ceded premiums written	90	100	199	131
Change in unearned premiums - Ceded share	-	-	42	-36
Earned premiums ceded	90	100	157	167
Net earned premiums	2,608	2,330	4,048	3,618

→	Primary insurance					
	Life		Health		Property-casualty	
€m	Q2 2012	Q2 2011	Q2 2012	Q2 2011	Q2 2012	Q2 2011
Gross premiums written	1,449	1,462	1,412	1,426	1,256	1,267
Change in gross unearned premiums	3	-1	-8	-5	-127	-93
Gross earned premiums	1,446	1,463	1,420	1,431	1,383	1,360
Ceded premiums written	23	28	13	4	38	46
Change in unearned premiums - Ceded share	-	-	-	-1	-8	-10
Earned premiums ceded	23	28	13	5	46	56
Net earned premiums	1,423	1,435	1,407	1,426	1,337	1,304

→	Munich Health		Total	
	Q2 2012	Q2 2011	Q2 2012	Q2 2011
€m				
Gross premiums written	1,668	1,472	12,632	11,969
Change in gross unearned premiums	-12	7	-200	35
Gross earned premiums	1,680	1,465	12,832	11,934
Ceded premiums written	53	4	416	313
Change in unearned premiums - Ceded share	27	1	61	-46
Earned premiums ceded	26	3	355	359
Net earned premiums	1,654	1,462	12,477	11,575

Income from technical interest

	Reinsurance			
	Life		Property-casualty	
€m	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011
Income from technical interest	315	335	661	677



	Life		Health		Primary insurance Property-casualty	
	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011
Income from technical interest	1,635	815	668	703	104	79



	Munich Health		Total	
	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011
Income from technical interest	25	21	3,408	2,630

Income from technical interest

	Reinsurance			
	Life		Property-casualty	
€m	Q2 2012	Q2 2011	Q2 2012	Q2 2011
Income from technical interest	169	194	331	342



	Life		Health		Primary insurance Property-casualty	
	Q2 2012	Q2 2011	Q2 2012	Q2 2011	Q2 2012	Q2 2011
Income from technical interest	546	271	309	319	53	40



	Munich Health		Total	
	Q2 2012	Q2 2011	Q2 2012	Q2 2011
Income from technical interest	13	11	1,421	1,177

Expenses for claims and benefits

	Reinsurance			
	Life		Property-casualty	
€m	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011
Gross				
Claims and benefits paid	3,846	3,194	5,341	4,850
Changes in technical provisions				
Provision for future policy benefits	-5	128	-	-14
Provision for outstanding claims	185	250	194	3,347
Provision for premium refunds	-	-	3	7
Other technical result	-	-2	22	25
Gross expenses for claims and benefits	4,026	3,570	5,560	8,215
Ceded share				
Claims and benefits paid	152	101	237	257
Changes in technical provisions				
Provision for future policy benefits	-30	-30	-	-
Provision for outstanding claims	49	31	-124	187
Provision for premium refunds	-	-	-	-
Other technical result	-9	-16	-	-1
Expenses for claims and benefits - Ceded share	162	86	113	443
Net				
Claims and benefits paid	3,694	3,093	5,104	4,593
Changes in technical provisions				
Provision for future policy benefits	25	158	-	-14
Provision for outstanding claims	136	219	318	3,160
Provision for premium refunds	-	-	3	7
Other technical result	9	14	22	26
Net expenses for claims and benefits	3,864	3,484	5,447	7,772

→	Primary insurance					
	Life		Health		Property-casualty	
€m	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011
Gross						
Claims and benefits paid	2,970	3,186	2,010	1,958	1,658	1,669
Changes in technical provisions						
Provision for future policy benefits	555	73	558	522	10	11
Provision for outstanding claims	-39	-3	-24	-29	85	15
Provision for premium refunds	335	-89	464	588	11	6
Other technical result	80	80	-2	-2	6	1
Gross expenses for claims and benefits	3,901	3,247	3,006	3,037	1,770	1,702
Ceded share						
Claims and benefits paid	51	48	10	4	61	60
Changes in technical provisions						
Provision for future policy benefits	17	27	-	-	-	-
Provision for outstanding claims	1	-9	3	-1	48	14
Provision for premium refunds	-	1	-	-	-1	-
Other technical result	-36	-38	-	-	-1	-
Expenses for claims and benefits – Ceded share	33	29	13	3	107	74
Net						
Claims and benefits paid	2,919	3,138	2,000	1,954	1,597	1,609
Changes in technical provisions						
Provision for future policy benefits	538	46	558	522	10	11
Provision for outstanding claims	-40	6	-27	-28	37	1
Provision for premium refunds	335	-90	464	588	12	6
Other technical result	116	118	-2	-2	7	1
Net expenses for claims and benefits	3,868	3,218	2,993	3,034	1,663	1,628

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→	Munich Health		Total	
€m	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011
Gross				
Claims and benefits paid	2,639	2,436	18,464	17,293
Changes in technical provisions				
Provision for future policy benefits	40	41	1,158	761
Provision for outstanding claims	28	-96	429	3,484
Provision for premium refunds	-	-3	813	509
Other technical result	2	-1	108	101
Gross expenses for claims and benefits	2,709	2,377	20,972	22,148
Ceded share				
Claims and benefits paid	13	4	524	474
Changes in technical provisions				
Provision for future policy benefits	-	-	-13	-3
Provision for outstanding claims	3	-	-20	222
Provision for premium refunds	-	-	-1	1
Other technical result	-	-	-46	-55
Expenses for claims and benefits - Ceded share	16	4	444	639
Net				
Claims and benefits paid	2,626	2,432	17,940	16,819
Changes in technical provisions				
Provision for future policy benefits	40	41	1,171	764
Provision for outstanding claims	25	-96	449	3,262
Provision for premium refunds	-	-3	814	508
Other technical result	2	-1	154	156
Net expenses for claims and benefits	2,693	2,373	20,528	21,509

Expenses for claims and benefits

€m	Reinsurance			
	Life		Property-casualty	
	Q2 2012	Q2 2011	Q2 2012	Q2 2011
Gross				
Claims and benefits paid	2,026	1,671	2,601	2,242
Changes in technical provisions				
Provision for future policy benefits	100	65	-	-9
Provision for outstanding claims	2	177	243	415
Provision for premium refunds	-	-	2	3
Other technical result	-	5	12	10
Gross expenses for claims and benefits	2,128	1,918	2,858	2,661
Ceded share				
Claims and benefits paid	80	73	124	117
Changes in technical provisions				
Provision for future policy benefits	-12	-12	-	-
Provision for outstanding claims	4	-11	-43	30
Provision for premium refunds	-	-	-	-
Other technical result	-4	-8	-	-
Expenses for claims and benefits – Ceded share	68	42	81	147
Net				
Claims and benefits paid	1,946	1,598	2,477	2,125
Changes in technical provisions				
Provision for future policy benefits	112	77	-	-9
Provision for outstanding claims	-2	188	286	385
Provision for premium refunds	-	-	2	3
Other technical result	4	13	12	10
Net expenses for claims and benefits	2,060	1,876	2,777	2,514

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→	Primary insurance					
	Life		Health		Property-casualty	
€m	Q2 2012	Q2 2011	Q2 2012	Q2 2011	Q2 2012	Q2 2011
Gross						
Claims and benefits paid	1,479	1,574	914	934	788	813
Changes in technical provisions						
Provision for future policy benefits	22	-36	301	258	5	5
Provision for outstanding claims	-21	19	87	63	92	34
Provision for premium refunds	188	-116	186	242	6	4
Other technical result	37	40	-1	-	4	-5
Gross expenses for claims and benefits	1,705	1,481	1,487	1,497	895	851
Ceded share						
Claims and benefits paid	27	21	5	1	20	28
Changes in technical provisions						
Provision for future policy benefits	6	15	-	-	-	-
Provision for outstanding claims	2	-	2	-1	15	-
Provision for premium refunds	-	1	-	-	-	1
Other technical result	-18	-19	-	-	-	1
Expenses for claims and benefits - Ceded share	17	18	7	-	35	30
Net						
Claims and benefits paid	1,452	1,553	909	933	768	785
Changes in technical provisions						
Provision for future policy benefits	16	-51	301	258	5	5
Provision for outstanding claims	-23	19	85	64	77	34
Provision for premium refunds	188	-117	186	242	6	3
Other technical result	55	59	-1	-	4	-6
Net expenses for claims and benefits	1,688	1,463	1,480	1,497	860	821

→	Munich Health		Total	
€m	Q2 2012	Q2 2011	Q2 2012	Q2 2011
Gross				
Claims and benefits paid	1,391	1,154	9,199	8,388
Changes in technical provisions				
Provision for future policy benefits	21	20	449	303
Provision for outstanding claims	-10	20	393	728
Provision for premium refunds	-	-3	382	130
Other technical result	1	-	53	50
Gross expenses for claims and benefits	1,403	1,191	10,476	9,599
Ceded share				
Claims and benefits paid	11	1	267	241
Changes in technical provisions				
Provision for future policy benefits	-	-	-6	3
Provision for outstanding claims	5	-	-15	18
Provision for premium refunds	-	-	-	2
Other technical result	-	-	-22	-26
Expenses for claims and benefits - Ceded share	16	1	224	238
Net				
Claims and benefits paid	1,380	1,153	8,932	8,147
Changes in technical provisions				
Provision for future policy benefits	21	20	455	300
Provision for outstanding claims	-15	20	408	710
Provision for premium refunds	-	-3	382	128
Other technical result	1	-	75	76
Net expenses for claims and benefits	1,387	1,190	10,252	9,361

Operating expenses

	Reinsurance			
	Life		Property-casualty	
€m	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011
Acquisition costs, profit commission and reinsurance commission paid	1,186	1,139	1,812	1,982
Administrative expenses	148	143	569	508
Change in deferred acquisition costs and contingent commissions, amortisation and impairment losses of acquired insurance portfolios	26	-20	110	-208
Gross operating expenses	1,360	1,262	2,491	2,282
Ceded share of acquisition costs, profit commission and reinsurance commission paid	59	82	37	33
Ceded share of change in deferred acquisition costs and contingent commissions	-	-	5	22
Operating expenses - Ceded share	59	82	42	55
Net operating expenses	1,301	1,180	2,449	2,227

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→	Primary insurance					
	Life		Health		Property-casualty	
	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011
€m						
Acquisition costs, profit commission and reinsurance commission paid	417	411	276	295	589	598
Administrative expenses	123	124	71	76	368	346
Change in deferred acquisition costs and contingent commissions, amortisation and impairment losses of acquired insurance portfolios	-24	-9	-19	-56	-52	-66
Gross operating expenses	516	526	328	315	905	878
Ceded share of acquisition costs, profit commission and reinsurance commission paid	6	8	9	2	15	12
Ceded share of changes in deferred acquisition costs and contingent commissions	-	1	-3	-	7	1
Operating expenses - Ceded share	6	9	6	2	22	13
Net operating expenses	510	517	322	313	883	865

→	Munich Health		Total	
	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011
€m				
Acquisition costs, profit commission and reinsurance commission paid	535	449	4,815	4,874
Administrative expenses	84	74	1,363	1,271
Change in deferred acquisition costs and contingent commissions, amortisation and impairment losses of acquired insurance portfolios	-2	8	39	-351
Gross operating expenses	617	531	6,217	5,794
Ceded share of acquisition costs, profit commission and reinsurance commission paid	103	1	229	138
Ceded share of change in deferred acquisition costs and contingent commissions	-85	-	-76	24
Operating expenses - Ceded share	18	1	153	162
Net operating expenses	599	530	6,064	5,632

Operating expenses

€m	Reinsurance			
	Life		Property-casualty	
	Q2 2012	Q2 2011	Q2 2012	Q2 2011
Acquisition costs, profit commission and reinsurance commission paid	550	568	898	1,071
Administrative expenses	74	72	271	259
Change in deferred acquisition costs and contingent commissions, amortisation and impairment losses of acquired insurance portfolios	19	-49	20	-193
Gross operating expenses	643	591	1,189	1,137
Ceded share of acquisition costs, profit commission and reinsurance commission paid	28	37	20	27
Ceded share of changes in deferred acquisition costs and contingent commissions	-	-2	12	3
Operating expenses - Ceded share	28	35	32	30
Net operating expenses	615	556	1,157	1,107

→ €m	Life		Health		Primary insurance Property-casualty	
	Q2 2012	Q2 2011	Q2 2012	Q2 2011	Q2 2012	Q2 2011
Acquisition costs, profit commission and reinsurance commission paid	201	201	131	148	280	294
Administrative expenses	63	62	33	34	179	163
Change in deferred acquisition costs and contingent commissions, amortisation and impairment losses of acquired insurance portfolios	5	7	-2	-22	-16	-23
Gross operating expenses	269	270	162	160	443	434
Ceded share of acquisition costs, profit commission and reinsurance commission paid	-5	4	4	1	10	10
Ceded share of change in deferred acquisition costs and contingent commissions	7	-	-1	-	7	4
Operating expenses - Ceded share	2	4	3	1	17	14
Net operating expenses	267	266	159	159	426	420

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→	Munich Health		Total	
	Q2 2012	Q2 2011	Q2 2012	Q2 2011
€m				
Acquisition costs, profit commission and reinsurance commission paid	263	220	2,323	2,502
Administrative expenses	43	35	663	625
Change in deferred acquisition costs and contingent commissions, amortisation and impairment losses of acquired insurance portfolios	-4	13	22	-267
Gross operating expenses	302	268	3,008	2,860
Ceded share of acquisition costs, profit commission and reinsurance commission paid	47	1	104	80
Ceded share of change in deferred acquisition costs and contingent commissions	-36	-	-11	5
Operating expenses - Ceded share	11	1	93	85
Net operating expenses	291	267	2,915	2,775

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

€m	Life		Reinsurance Property-casualty	
	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011
Land and buildings, including buildings on third-party land	8	11	45	53
Investments in affiliated companies	4	-	4	2
Investments in associates	-	9	-18	42
Loans	-	2	1	8
Other securities held to maturity	-	-	-	-
Other securities available for sale				
Fixed-interest	286	329	980	890
Non-fixed-interest	34	78	166	351
Other securities at fair value through profit or loss				
Held for trading				
Fixed-interest	-	-	4	2
Non-fixed-interest	-	-	2	1
Derivatives	-31	-41	-71	-184
Designated as at fair value through profit or loss				
Fixed-interest	-	-	-	-
Non-fixed-interest	-	-	-	-
Deposits retained on assumed reinsurance, and other investments	121	157	20	-16
Investments for the benefit of life insurance policyholders who bear the investment risk	-	-	-	-
Expenses for the management of investments, other expenses	24	16	77	78
Total	398	529	1,056	1,071

→	Primary insurance					
	Life		Health		Property-casualty	
€m	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011
Land and buildings, including buildings on third-party land	73	44	27	20	3	43
Investments in affiliated companies	-	-3	-6	-3	-31	256
Investments in associates	2	-2	2	-2	5	1
Loans	775	727	344	309	57	48
Other securities held to maturity	-	1	-	-	-	-
Other securities available for sale						
Fixed-interest	560	275	221	205	115	84
Non-fixed-interest	29	34	9	106	4	15
Other securities at fair value through profit or loss						
Held for trading						
Fixed-interest	7	-	-	-	-	-
Non-fixed-interest	-	-	-	-	-	-
Derivatives	187	-54	33	-29	-	-24
Designated as at fair value through profit or loss						
Fixed-interest	8	3	-	-	-	-
Non-fixed-interest	-	-3	-	-	-	-
Deposits retained on assumed reinsurance, and other investments	5	-4	-	-3	2	-3
Investments for the benefit of life insurance, policyholders who bear the investment risk	209	-123	-	-	-	-
Expenses for the management of investments, other expenses	77	80	23	22	12	13
Total	1,778	815	607	581	143	407

→	Munich Health		Asset management		Total	
	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011
€m						
Land and buildings, including buildings on third-party land	1	1	2	2	159	174
Investments in affiliated companies	-	-	-	-	-29	252
Investments in associates	7	1	2	1	-	50
Loans	-	-	-	-	1,177	1,094
Other securities held to maturity	-	-	-	-	-	1
Other securities available for sale						
Fixed-interest	52	58	2	2	2,216	1,843
Non-fixed-interest	4	10	1	-	247	594
Other securities at fair value through profit or loss						
Held for trading						
Fixed-interest	-	-	-	-	11	2
Non-fixed-interest	-	-	-	-	2	1
Derivatives	-1	-8	-	-	117	-340
Designated as at fair value through profit or loss						
Fixed-interest	-	-	-	-	8	3
Non-fixed-interest	-	-	-	-	-	-3
Deposits retained on assumed reinsurance, and other investments	-	-	1	2	149	133
Investments for the benefit of life insurance policyholders who bear the investment risk	-	-	-	-	209	-123
Expenses for the management of investments, other expenses	3	4	-	-	216	213
Total	60	58	8	7	4,050	3,468

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

	Reinsurance			
	Life		Property-casualty	
€m	Q2 2012	Q2 2011	Q2 2012	Q2 2011
Land and buildings, including buildings on third-party land	4	4	22	20
Investments in affiliated companies	4	-	1	2
Investments in associates	-	7	-14	35
Loans	-	1	-	5
Other securities held to maturity	-	-	-	-
Other securities available for sale				
Fixed-interest	135	143	431	444
Non-fixed-interest	10	30	47	135
Other securities at fair value through profit or loss				
Held for trading				
Fixed-interest	-	-	2	1
Non-fixed-interest	-	-	-	1
Derivatives	8	-36	82	-175
Designated as at fair value through profit or loss				
Fixed-interest	-	-	-	-
Non-fixed-interest	-	-	-	-
Deposits retained on assumed reinsurance, and other investments	69	105	13	-13
Investments for the benefit of life insurance policyholders who bear the investment risk	-	-	-	-
Expenses for the management of investments, other expenses	12	8	38	40
Total	218	246	546	415

→	Primary insurance					
	Life		Health		Property-casualty	
€m	Q2 2012	Q2 2011	Q2 2012	Q2 2011	Q2 2012	Q2 2011
Land and buildings, including buildings on third-party land	17	31	14	10	2	36
Investments in affiliated companies	-	-2	-3	-2	-33	256
Investments in associates	1	-1	-	-3	12	1
Loans	381	385	171	145	30	23
Other securities held to maturity	-	1	-	-	-	-
Other securities available for sale						
Fixed-interest	141	-148	91	62	57	39
Non-fixed-interest	13	38	6	40	-	9
Other securities at fair value through profit or loss						
Held for trading						
Fixed-interest	7	-	-	-	-	-
Non-fixed-interest	-	-	-	-	-	-
Derivatives	220	47	19	-8	-2	-25
Designated as at fair value through profit or loss						
Fixed-interest	-1	5	-	-	-	-
Non-fixed-interest	-	-1	-	-	-	-
Deposits retained on assumed reinsurance, and other investments	4	-1	-	-1	1	-3
Investments for the benefit of life insurance policyholders who bear the investment risk	-83	-50	-	-	-	-
Expenses for the management of investments, other expenses	38	46	12	11	6	7
Total	662	258	286	232	61	329

→	Munich Health		Asset management		Total	
	Q2 2012	Q2 2011	Q2 2012	Q2 2011	Q2 2012	Q2 2011
€m						
Land and buildings, including buildings on third-party land	-	-	1	1	60	102
Investments in affiliated companies	-	-	-	-	-31	254
Investments in associates	1	-1	2	5	2	43
Loans	-	-	-	-	582	559
Other securities held to maturity	-	-	-	-	-	1
Other securities available for sale						
Fixed-interest	25	26	1	1	881	567
Non-fixed-interest	1	5	1	-	78	257
Other securities at fair value through profit or loss						
Held for trading						
Fixed-interest	-	-	-	-	9	1
Non-fixed-interest	-	-	-	-	-	1
Derivatives	2	-4	-	-	329	-201
Designated as at fair value through profit or loss						
Fixed-interest	-	-	-	-	-1	5
Non-fixed-interest	-	-	-	-	-	-1
Deposits retained on assumed reinsurance, and other investments	-	-	1	1	88	88
Investments for the benefit of life insurance policyholders who bear the investment risk	-	-	-	-	-83	-50
Expenses for the management of investments, other expenses	2	2	-	-	108	114
Total	27	24	6	8	1,806	1,512

Investment income by segment (before deduction of technical interest)

€m	Reinsurance			
	Life		Property-casualty	
	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011
Regular income	448	469	983	980
Thereof:				
Income from interest	352	376	770	786
Income from write-ups	290	254	588	683
Gains on the disposal of investments	255	360	1,231	1,105
Other income	-	-	-	-
Total	993	1,083	2,802	2,768

→ €m	Primary insurance					
	Life		Health		Property-casualty	
	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011
Regular income	1,508	1,627	687	716	176	191
Thereof:						
Income from interest	1,404	1,502	637	622	151	158
Income from write-ups	269	94	32	43	17	18
Gains on the disposal of investments	350	171	36	115	71	357
Other income	308	48	-	-	-	-
Total	2,435	1,940	755	874	264	566

→ €m	Munich Health		Asset management		Total	
	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011
	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011
Regular income	63	66	9	8	3,874	4,057
Thereof:						
Income from interest	52	61	3	3	3,369	3,508
Income from write-ups	10	11	-	-	1,206	1,103
Gains on the disposal of investments	32	33	-	-	1,975	2,141
Other income	-	-	-	-	308	48
Total	105	110	9	8	7,363	7,349

Investment income by segment (before deduction of technical interest)

€m	Reinsurance			
	Life		Property-casualty	
	Q2 2012	Q2 2011	Q2 2012	Q2 2011
Regular income	243	271	514	514
Thereof:				
Income from interest	183	216	382	382
Income from write-ups	100	114	369	275
Gains on the disposal of investments	136	136	634	483
Other income	-	-	-	-
Total	479	521	1,517	1,272



€m	Primary insurance					
	Life		Health		Property-casualty	
	Q2 2012	Q2 2011	Q2 2012	Q2 2011	Q2 2012	Q2 2011
Regular income	749	830	349	397	95	100
Thereof:						
Income from interest	691	753	322	320	73	78
Income from write-ups	208	63	15	26	5	8
Gains on the disposal of investments	146	120	21	16	32	316
Other income	-	22	-	-	-	-
Total	1,103	1,035	385	439	132	424



€m	Munich Health		Asset management		Total	
	Q2 2012	Q2 2011	Q2 2012	Q2 2011	Q2 2012	Q2 2011
	Q2 2012	Q2 2011	Q2 2012	Q2 2011	Q2 2012	Q2 2011
Regular income	28	33	7	9	1,985	2,154
Thereof:						
Income from interest	25	31	2	2	1,678	1,782
Income from write-ups	6	6	-	-	703	492
Gains on the disposal of investments	20	16	-	-	989	1,087
Other income	-	-	-	-	-	22
Total	54	55	7	9	3,677	3,755

Investment expenses by segment (before deduction of technical interest)

€m	Reinsurance			
	Life		Property-casualty	
	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011
Write-downs of investments	377	283	750	615
Losses on the disposal of investments	182	245	896	962
Management expenses, interest charges and other expenses	36	26	100	120
Thereof:				
Interest charges	1	10	6	42
Total	595	554	1,746	1,697

→ €m	Primary insurance					
	Life		Health		Property-casualty	
	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011
Write-downs of investments	129	794	31	151	60	46
Losses on the disposal of investments	350	63	89	111	49	92
Management expenses, interest charges and other expenses	178	268	28	31	12	21
Thereof:						
Interest charges	2	15	1	5	1	8
Total	657	1,125	148	293	121	159

→ €m	Munich Health		Asset management		Total	
	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011
	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011
Write-downs of investments	13	19	1	1	1,361 ¹	1,909
Losses on the disposal of investments	29	28	-	-	1,595	1,501
Management expenses, interest charges and other expenses	3	5	-	-	357	471
Thereof:						
Interest charges	-	1	-	-	11	81
Total	45	52	1	1	3,313	3,881

¹ In the first half-year 2012, we made write-downs of €41m on investments in associated companies.

Investment expenses by segment (before deduction of technical interest)

€m	Reinsurance			
	Life		Property-casualty	
	Q2 2012	Q2 2011	Q2 2012	Q2 2011
Write-downs of investments	138	122	408	261
Losses on the disposal of investments	105	139	513	532
Management expenses, interest charges and other expenses	18	14	50	64
Thereof:				
Interest charges	-	6	4	24
Total	261	275	971	857

→ €m	Primary insurance					
	Life		Health		Property-casualty	
	Q2 2012	Q2 2011	Q2 2012	Q2 2011	Q2 2012	Q2 2011
Write-downs of investments	61	609	18	124	46	33
Losses on the disposal of investments	258	43	67	67	20	49
Management expenses, interest charges and other expenses	122	125	14	16	5	13
Thereof:						
Interest charges	1	8	-	3	1	6
Total	441	777	99	207	71	95

→ €m	Munich Health		Asset management		Total	
	Q2 2012	Q2 2011	Q2 2012	Q2 2011	Q2 2012	Q2 2011
	Q2 2012	Q2 2011	Q2 2012	Q2 2011	Q2 2012	Q2 2011
Write-downs of investments	7	11	1	1	679	1,161
Losses on the disposal of investments	18	17	-	-	981	847
Management expenses, interest charges and other expenses	2	3	-	-	211	235
Thereof:						
Interest charges	-	1	-	-	6	48
Total	27	31	1	1	1,871	2,243

Other operating result

€m	Reinsurance			
	Life		Property-casualty	
	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011
Other operating income	49	30	115	124
Other operating expenses	49	28	135	101

€m	Life		Health		Primary insurance Property-casualty	
	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011
	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011
Other operating income	59	40	28	23	80	66
Other operating expenses	47	46	45	33	104	102

€m	Munich Health		Asset management		Total	
	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011
	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011
Other operating income	37	36	25	32	393	351
Other operating expenses	38	29	16	21	434	360

Other operating result

€m	Reinsurance			
	Life		Property-casualty	
	Q2 2012	Q2 2011	Q2 2012	Q2 2011
Other operating income	30	9	70	55
Other operating expenses	33	11	82	52

€m	Life		Health		Primary insurance Property-casualty	
	Q2 2012	Q2 2011	Q2 2012	Q2 2011	Q2 2012	Q2 2011
	Q2 2012	Q2 2011	Q2 2012	Q2 2011	Q2 2012	Q2 2011
Other operating income	39	20	15	8	45	41
Other operating expenses	23	18	24	17	55	46

€m	Munich Health		Asset management		Total	
	Q2 2012	Q2 2011	Q2 2012	Q2 2011	Q2 2012	Q2 2011
	Q2 2012	Q2 2011	Q2 2012	Q2 2011	Q2 2012	Q2 2011
Other operating income	22	14	13	19	234	166
Other operating expenses	22	15	9	11	248	170

Other operating income mainly comprises income of €227m (215m) from services rendered, interest and similar income of €71m (42m), income of €73m (72m) from the release/reduction of miscellaneous provisions and adjustments of values for receivables, and income of €11m (14m) from owner-occupied property, some of which is also leased out.

In addition to expenses of €176m (157m) for services rendered, other operating expenses chiefly include interest charges and similar expenses of €108m (52m), other write-downs of €25m (31m), and other tax of €23m (21m). They also contain expenses of €6m (15m) for owner-occupied property, some of which is also leased out.

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

€m	Reinsurance			
	Life		Property-casualty	
	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011
Other non-operating income	349	303	476	525
Other non-operating expenses	365	255	561	503
Impairment losses of goodwill	1	-	4	1
Net finance costs	-33	-30	-68	-78



€m	Primary insurance					
	Life		Health		Property-casualty	
	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011
Other non-operating income	66	71	211	156	112	129
Other non-operating expenses	103	109	237	176	161	230
Impairment losses of goodwill	-	-	-	-	-	20
Net finance costs	24	19	4	4	-62	-44



€m	Munich Health		Asset management		Total	
	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011
	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011	Q1-2 2012	Q1-2 2011
Other non-operating income	195	172	2	5	1,411	1,361
Other non-operating expenses	218	156	3	16	1,648	1,445
Impairment losses of goodwill	-	-	-	-	5	21
Net finance costs	-7	-7	-3	-2	-145	-138

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

€m	Reinsurance			
	Life		Property-casualty	
	Q2 2012	Q2 2011	Q2 2012	Q2 2011
Other non-operating income	182	126	255	228
Other non-operating expenses	158	87	264	167
Impairment losses of goodwill	1	-	4	-
Net finance costs	-18	-14	-37	-37



€m	Primary insurance					
	Life		Health		Property-casualty	
	Q2 2012	Q2 2011	Q2 2012	Q2 2011	Q2 2012	Q2 2011
Other non-operating income	41	32	138	43	71	51
Other non-operating expenses	66	55	152	48	93	130
Impairment losses of goodwill	-	-	-	-	-	-
Net finance costs	10	11	2	1	-30	-25



€m	Munich Health		Asset management		Total	
	Q2 2012	Q2 2011	Q2 2012	Q2 2011	Q2 2012	Q2 2011
	Q2 2012	Q2 2011	Q2 2012	Q2 2011	Q2 2012	Q2 2011
Other non-operating income	102	75	1	4	790	559
Other non-operating expenses	98	59	1	11	832	557
Impairment losses of goodwill	-	-	-	-	5	-
Net finance costs	-4	-3	-2	-2	-79	-69

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 €1,329m (1,289m), it contains other non-technical income of €83m (72m).

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 €1,420m (1,092m), they include write-downs of €50m (54m) on other intangible assets and other non-technical expenses of €179m (299m), such as expenses unrelated to the accounting period, project costs and other amounts that cannot be allocated elsewhere, and restructuring expenses.

Non-current assets and disposal groups held for sale

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. A contract for the sale of these companies, with economic effect from January 2012, was signed in the third quarter of 2011; the sales price totalled around €26m.

In the fourth quarter of 2011, with economic effect from March 2012, the ERGO Insurance Group sold an office investment property with a carrying amount of €13m. The sales price was €52m.

In the first quarter of 2012, the ERGO Insurance Group decided to sell its fully consolidated subsidiary San Marino Life Impresa sammarinese di assicurazione sulla vita S.p.A., San Marino. A contract for the sale of this company, with economic effect from July 2012, was signed in the second quarter of 2012; the sales price totalled €5m.

In the second quarter of 2012, the ERGO Insurance Group sold its shares in the fully consolidated subsidiary ERGO Daum Direct General Insurance Co. Ltd., Seoul. The transaction is to take effect in the course of the financial year 2012, subject to the authorities' approval. Reserves for the currently expected loss of around €35m on the sale of ERGO Daum were made in the second quarter of 2012, with impact on the income statement.

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 2012 totalled 24,059 (24,299) in Germany and 22,622 (22,907) in other countries.

Number of staff

	30.6.2012	31.12.2011
Reinsurance	11,169	11,163
Primary insurance	30,941	31,311
Munich Health	3,767	3,927
Asset management	804	805
Total	46,681	47,206

Contingent liabilities, other financial commitments

In comparison with the situation at 31 December 2011, financial commitments of significance for the assessment of the Group's financial position show a change essentially due to a reduction of €507m in loan commitments and an increase of €250m in investment commitments. 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 2012	Q2 2012	Q1-2 2011	Q2 2011
Consolidated result attributable to Munich Reinsurance Company equity holders	€m	1,588	808	-211	736
Weighted average number of outstanding shares		177,615,164	177,629,870	178,382,059	177,602,994
Earnings per share	€	8.94	4.54	-1.18	4.14

Events after the balance sheet date

With economic effect from 6 July 2012, via its subsidiary MR RENT-Investment GmbH, Munich, Munich Re acquired 100% of the voting shares in six wind park companies. The wind park portfolio comprises wind parks already operating in various regions of Germany with a total of 19 wind turbines and an installed capacity of 48 megawatts.

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

// Windpark Borghorst-Laer GmbH & Co. KG , Bremen
 // Windpark Westeregeln GmbH & Co. KG , Bremen
 // Windpark Markee 6 GmbH & Co. KG , Bremen
 // Windpark Dargelütz GmbH & Co. KG , Bremen
 // Windpark Kladrum-Zölkow GmbH & Co. KG , Schwerin
 // Einzelanlage Frauenmark I GmbH & Co. KG , Bremen

The provisional purchase price for the wind park companies is €27.3m and was settled in cash. The purchase price comprises various forms of conditional consideration. The acquisition is part of the RENT programme (Renewable Energy and New Technologies), through which Munich Re invests in renewable energies and new technologies.

The provisional IFRS fair values of the assets and liabilities of the acquired companies at the time of acquisition are as follows:

IFRS fair values of the assets and liabilities at the acquisition date

€m	wpd
Purchase price	27
Cash	27
Liabilities assumed	-
Assets acquired	81
Intangible assets	21
Investments	52
Receivables ¹	1
Cash at bank, cheques and cash in hand	3
Other assets	4
Liabilities assumed	55
Other provisions	-
Liabilities	49
Other liabilities ²	6

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

² No contingent liabilities, contingent payments or separate transactions within the meaning of IFRS 3 were identified.

There is a goodwill of €1.1m arithmetically resulting from the transaction.

As the acquisition was not completed until 6 July 2012, no income and expenses from the wind park companies have yet been included in the consolidated income statement.

On 23 July 2012, MEAG purchased a share of 18.75% in Open Grid Europe GmbH (OGE), Essen, on Munich Re's behalf. The company owns and operates the longest regulated supra-regional gas transmission network in Germany. The purchase price for our share is in the low three-digit million euro range. We will account for the participation as an associate. The transaction has already been approved under antitrust law.

On 25 July 2012, the German Federal Court of Justice issued a judgement on the effectiveness of insurance terms and conditions relating to surrender values, lapse deductions and the offsetting of acquisition costs among other things. It concerns clauses in the general terms and conditions for cash value life insurance and deferred and unit-linked annuity insurance that govern arrangements when these insurances are cancelled or converted into paid-up policies. This could give rise to additional burdens for our life insurance companies.

The Board of Management of ERGO Versicherungsgruppe AG has detailed its plans concerning the initiatives launched in March 2012 aimed at increasing quality and efficiency. Sales organisations are to be merged and managed under the umbrella of an ERGO sales company. The initiatives are intended to give rise to total savings of around €164m annually. The planned changes will be negotiated in the coming months between company management and the co-determination bodies. Depending on the further progress of the sales initiatives, it is foreseeable that we will post reserves for the restructuring expenses already in the current year. Implementation of the restructuring measures is planned for the beginning of 2014.

Drawn up and released for publication, Munich, 6 August 2012.

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 and the selected notes – together with the interim Group management report of Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München, for the period from 1 January 2012 to 30 June 2012, 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 parent company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and the interim Group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim Group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material aspects, in accordance with 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, 7 August 2012
KPMG Bayerische Treuhandgesellschaft
Aktiengesellschaft Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

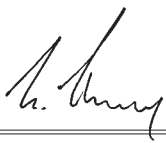
Klaus Becker
Wirtschaftsprüfer
(Certified public accountant)


Martin Berger
Wirtschaftsprüfer
(Certified public accountant)

Responsibility statement

"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."

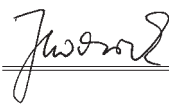
Munich, 7 August 2012

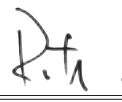



















Important dates

2012

7 November 2012	Interim report as at 30 September 2012
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2013

12 March 2013	Balance sheet press conference for 2012 consolidated financial statements
25 April 2013	Annual General Meeting
7 May 2013	Interim report as at 31 March 2013
6 August 2013	Interim report as at 30 June 2013
6 August 2013	Half-year press conference
7 November 2013	Interim report as at 30 September 2013

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Responsible for content
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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.

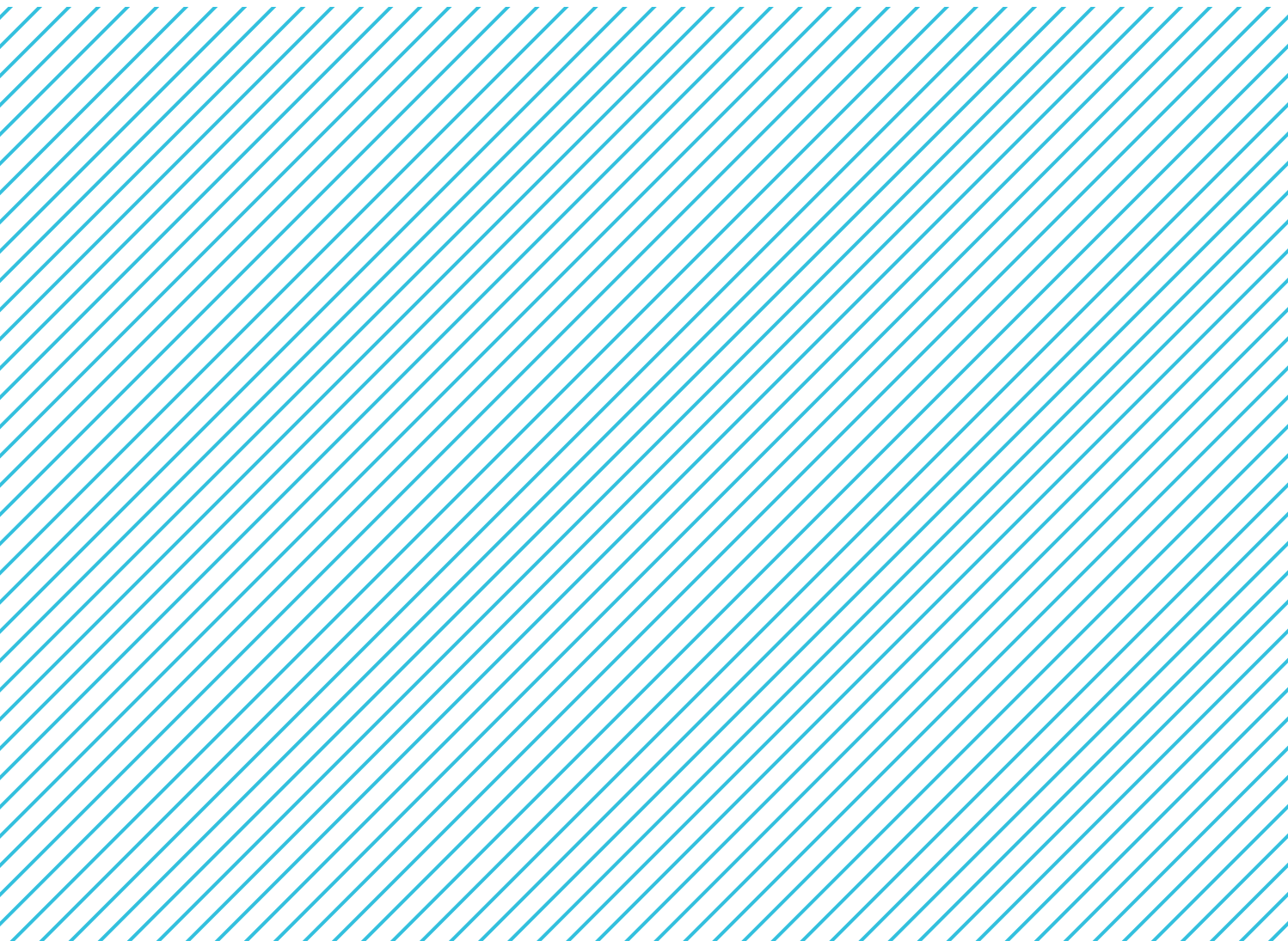
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NOT IF, BUT HOW