

Half-Year Financial Report

Munich Re

2014

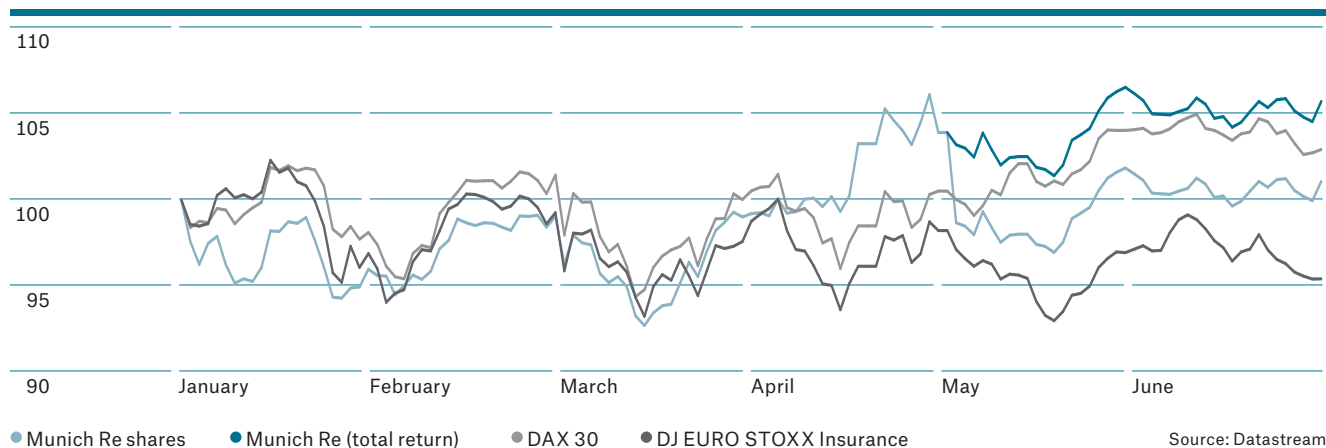
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(Chairman)

Board of Management

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(Chairman)
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Dr. Peter Röder
Dr. Jörg Schneider
Dr. Joachim Wenning

Share price performance 1.1.2014 = 100



Key figures (IFRS)

Munich Re at a glance¹

		Q1-2 2014	Q1-2 2013	Change	Q2 2014	Q2 2013	Change
				%			%
Consolidated result	€m	1,693	1,512	12.0	769	542	41.9
Thereof attributable to non-controlling interests	€m	9	21	-57.1	4	14	-71.4
Earnings per share	€	9.67	8.32	16.2	4.43	2.94	50.7
Return on risk-adjusted capital (RORAC)	%	14.1	11.0		12.8	7.9	
Return on investment (RoI)	%	4.1	3.2		4.5	2.8	
Return on equity (RoE)	%	12.5	11.1		11.2	8.0	
					30.6.2014	31.12.2013	Change
							%
Book value per share	€				159.35	146.45	8.8
Munich Reinsurance Company's market capitalisation	€bn				28.0	28.7	-2.5
Share price	€				161.90	160.15	1.1

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

		30.6.2014	31.12.2013	Change
				%
Equity	€m	27,672	26,226	5.5
Investments	€m	217,274	209,474	3.7
Net technical provisions	€m	192,980	187,739	2.8
Balance sheet total	€m	262,778	254,288	3.3
Number of staff		43,637	44,665	-2.3

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

To our shareholders



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

Dear Shareholders,

The abundant liquidity made available by the central banks has also made its way into the reinsurance market. As a result, we observed fiercer competition between established market players in the first half of 2014, while pension funds and hedge funds are increasingly also breaking into the market. This appreciably wider supply side is coinciding with falling demand, following a longer period when the insurance industry was spared major claims burdens. Recent renewal rounds in reinsurance have clearly demonstrated that there is pressure on prices, terms and conditions.

Of course, this phase of lower prices will come to an end at some point – in so far as the reasons are cyclical. It is only a question of time before insurers have to shoulder the consequences of their underwriting policies. But I admit that I am astounded at just how many companies in the insurance industry are announcing and pursuing emphatic growth strategies in this market phase. The only consolation is that all market participants want to earn more than just their capital costs. Less reassuring is the fact that if they are lucky, insurers can get away with inadequate prices for risks that are likely to occur only rarely – although they result in enormous losses when they do. In long-tail business, a less conservative reserving policy allows insurers to avoid having to face up to reality for the moment.

Against this background, price discipline and consistent cycle management are imperative. Accordingly, Munich Re is writing less business overall. This means we are choosing to forgo volume in those classes of business and regions where keen competition over prices, terms and conditions has had a particularly severe impact. Our shareholders can rest assured that we are managing their investment responsibly.

In this market phase, Munich Re is benefiting from its broad business base. By way of example, in reinsurance we are able to shift capacity from strongly competitive non-proportional natural catastrophe business into other areas that are not so dominated by imprudent competition, such as business offering customised, specialised solutions. Our reinsurance business in particular is profiting from our excellent client access. Many clients have been working with us for decades, and appreciate the close relationships that we have nurtured.

As a Group, we offer products across practically the full range of insurance business in all important global markets. This means that we can take advantage of opportunities in more profitable regions and fields of business. Thus ERGO is targeting selected markets in Asia, and has just secured entry into the Singapore market with the acquisition of a small property-casualty insurer.

In a tough market such as we are experiencing at present, innovations are a particularly important way for Munich Re to tap areas of business not yet exposed to overheated competition. The world is full of risks, and it is up to us to make them insurable and generate additional demand for our insurance solutions. Today's global economy is more dependent than ever on IT, the internet and data streams. This creates new risks, for which Munich Re is able to offer solutions. Traditional property and liability risks are also often inadequately insured, not only in the industrial regions of emerging markets, but even in established economies. What at first glance appears to be a more than

sufficient supply of capacity often turns out to be far from sufficient for coverage. As such, increased mobilisation of the capital markets offers interesting opportunities for the insurance industry at the interface between risk assessment and risk diversification.

Our strategy remains focused on achieving our core earnings in insurance, and not from risky investments separate from our liabilities. Of course, the persistent low-interest-rate environment is still affecting our investment result, but it is not endangering our business model. Nevertheless, it would be desirable for the central banks to end their low-interest-rate policies, since the negative consequences of these policies are becoming more and more apparent, and the anticipated positive effects – such as on the real economy in southern Europe – have mostly failed to materialise. It is clear that the means available to the central banks are limited, and the problems will not go away unless politicians tackle the causes of the crisis with systematic reforms.

In primary insurance, in view of the low-interest-rate environment, we have benefited from the decision taken in 2005 to use derivatives to ensure a minimum return on reinvestment for part of our portfolio. The low interest rates also result in high valuation reserves on bonds that we bought before the start of the low-interest-rate period, and which deliver a comparatively higher return. In Germany, a recent piece of legislation means that in future these valuation reserves will no longer need to be realised and paid out to the same extent when customers' policies are cancelled or mature. This is good news for most insured persons, and also for ERGO.

Given the difficult market conditions in reinsurance, I consider the overall Munich Re quarterly result to be satisfactory. In the second quarter of 2014, Munich Re generated a profit of €769m. This shows that our strategic approach still enables us to operate profitably on your behalf even in a challenging environment.

Yours sincerely,



Nikolaus von Bomhard

Interim management report

Business environment

- Global economic growth picks up in second quarter
- ECB eases monetary policy
- Long-term interest rates continue to fall
- Euro gains in value year on year

Global economic growth slowed noticeably at the start of the first half-year 2014. In the first quarter, GDP in the USA fell appreciably in comparison with the previous quarter. There was also a further drop in momentum in China. Global economic growth began to pick up again in the second quarter. This was mainly due to a resumption of growth in the USA, stabilisation in China, and a strongly expanding economy in the United Kingdom. The recovery in the eurozone continued only slowly. Whilst GDP in Germany and Spain was up significantly in the first half-year according to initial estimates, it showed only weak growth in France and stagnated in Italy. A curbing effect in the first half-year also came from weakness of the economies of large emerging markets such as Brazil and Russia.

In the second quarter, the US Federal Reserve continued the gradual exit it had begun in January from an expansionary monetary policy and reduced the volume of its monthly bond-buying. In contrast, the European Central Bank (ECB) eased its monetary policy in the face of very low inflation in the eurozone. The ECB lowered the key interest rate to 0.15% in June, introduced a negative interest rate for deposits into the ECB, and announced a new programme for long-term refinancing of banks.

Uncertainty on the financial markets increased in the first quarter. In particular, a worsening of the growth outlook in some emerging markets had been a major factor leading to renewed capital outflows and currency devaluations. In the second quarter, despite numerous areas of geopolitical tension, there was a significant relaxing of uncertainty on the financial markets. The Russia-Ukraine conflict had only a limited impact on the global financial markets, and the resumption of violent clashes in Iraq caused only a temporary hike in the oil price. In July, there was again heightened uncertainty, partly owing to the escalation of the war in Ukraine, prompting the EU and the USA to impose new sanctions against Russia.

Long-term interest rates in the USA and Germany declined further. At the end of the second quarter, yields on ten-year US and German bonds were 2.5% and 1.2% respectively, compared with 2.7% and 1.6% at the end of the first quarter, and 3.0% and 1.9% at the end of 2013. There was also a further narrowing of risk spreads for corporate bonds. The fall in interest rates had a positive impact on the market value of fixed-income bonds.

In the medium term, however, the low-interest-rate environment poses considerable challenges for insurers. Regular interest income declined further because yields on new fixed-interest securities with high ratings are far lower than the average return on the securities maturing or sold. Life insurers, which have to meet interest-rate guarantees, are particularly affected.

We write a large portion of our business outside the eurozone. Appreciation of the euro has an adverse effect on premium income development posted in euros, while depreciation increases it. In comparison with the first half-year 2013, the value of the euro in the first six months of 2014 strengthened on average against the US dollar (4.4%), the Japanese yen (12.0%) and the Canadian dollar (12.7%), but weakened against the British pound sterling (-3.4%). In the second quarter of 2014, the value of the euro also strengthened on average year on year against the US dollar (5.0%), the Japanese yen (8.6%) and the Canadian dollar (11.9%), but weakened against the British pound sterling (-4.2%). Overall, currency translation effects have distorted premium income downwards in year-on-year comparison, with respect to both the first half-year and the second quarter.

The value shown for investments, which is translated at period-end exchange rates, was increased by currency translation effects in the first half-year. When comparing the rates at 30 June 2014 with those at 31 December 2013, the euro was almost unchanged at US\$ 1.37 and Can\$ 1.46. However, it fell by 4.1% against the Japanese yen, and 3.6% against the British pound sterling.

Business performance

Overview

Key figures¹

	Q1-2 2014	Q1-2 2013	Change	Q2 2014	Q2 2013	Change
	€m	€m	%	€m	€m	%
Gross premiums written	24,780	26,093	-5.0	11,856	12,809	-7.4
Technical result	1,661	1,886	-11.9	464	620	-25.2
Investment result	4,637	3,563	30.1	2,567	1,556	65.0
Operating result	2,452	2,076	18.1	1,145	706	62.2
Taxes on income	306	390	-21.5	93	-52	-
Consolidated result	1,693	1,512	12.0	769	542	41.9
Thereof: Attributable to non-controlling interests	9	21	-57.1	4	14	-71.4
				30.6.2014	31.12.2013	Change
				€bn	€bn	%
Equity				27.7	26.2	5.5

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

Munich Re's Group performance in the first six months of the year was pleasing, despite the pressure on reinsurance prices. 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.

Premium income declined year on year mainly due to currency translation effects. If exchange rates had remained unchanged, our premium would have decreased slightly by 1.3%.

The major-loss expenditure for the first quarter was below the statistically expectable level, whilst that of the second quarter was above it. In particular, high man-made losses and the winter storm in Japan with a total of around €180m impacted the technical result. Altogether, our expenditure for major losses for the first half-year was slightly below average, and we posted a good technical result for the period from January to June.

In the first half of 2014, we achieved a satisfying investment result, which exceeded the high level of the same period last year. It was bolstered by gains on disposals, particularly of equities and fixed-interest securities.

Despite a decrease in the technical result, the operating result and consolidated result for the first six months and second quarter of 2014 were therefore somewhat higher than the figures for the same periods last year.

The consolidated result and the positive growth of on-balance-sheet gains and losses on our investments due to falling interest rates meant that equity increased in comparison with the start of the year by €1.4bn to €27.7bn, although we paid out dividends of €1.3bn and repurchased shares totalling €0.8bn. As part of the share buy-back programme we launched in November 2013, we acquired 4.5 million Munich Re shares to the value of €0.7bn this year. Under our follow-up share buy-back programme, in the period between 1 May 2014 and no later than the next Annual General Meeting

on 23 April 2015, we will acquire up to 13 million Munich Re shares via the stock exchange for a maximum total purchase price of €1bn. By 30 June, we had already repurchased 0.8 million Munich Re shares with a value of €136m.

The annualised return on risk-adjusted capital (RORAC) for the first half of the year amounted to 14.1% (11.0%), and the return on equity (RoE) to 12.5% (11.1%).

Reinsurance

- Premium decrease to €13.4bn (14.1bn) in the first half-year; €6.6bn (7.1bn) in the second quarter
- Life reinsurance with a consolidated result of €235m (234m) in the first half-year and €132m (61m) in the second quarter
- Consolidated result in property-casualty reinsurance totalling €1,149m (961m) for the first half-year and €502m (306m) for the second quarter
- Combined ratio of 94.1% (92.4%) for property-casualty business for the first half-year and 101.4% (99.3%) for the second quarter
- Gratifying investment result totalling €1,513m (1,026m) for the first half-year and €973m (505m) for the second quarter
- Generally satisfactory consolidated result of €1,384m (1,195m) for the first half-year and €634m (367m) for the second quarter

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

Reinsurance – Life

Key figures¹

		Q1-2 2014	Q1-2 2013	Change	Q2 2014	Q2 2013	Change
				%			%
Gross premiums written	€m	4,944	5,563	-11.1	2,467	2,994	-17.6
Share of gross premiums written in reinsurance	%	36.8	39.5		37.6	42.0	
Operating result	€m	318	317	0.3	196	95	106.3
Consolidated result	€m	235	234	0.4	132	61	116.4

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

Premium

Premium declined year on year in the first six months of 2014, partly owing to negative exchange-rate influences from the strengthened euro. Given that around 90% of our business is written outside the eurozone, currency translation effects have a major impact on premium development. If exchange rates had remained unchanged, our premium income would have shown a year-on-year decrease of 4.2% for the first six months and 11.8% for the second quarter.

The reduction was mainly attributable to existing major treaties, which we were able to renew, albeit in some cases with a reduced volume. These treaties have played a key part in the pleasing premium development we have seen in recent years, where reinsurance primarily serves as a capital substitute for our clients. They generally run for a period of several years and have been concluded mainly in North America, Asia and continental Europe.

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

Result

In the second quarter of 2014, we delivered a technical result of €103m (96m). Overall, our business developed as expected, although claims expenses were slightly higher again in the USA. The appreciable decline in the technical result to €207m (305m) for the first half of the year is largely attributable to changes in exchange rates and the exceptionally good performance of business in the first quarter of 2013.

Despite the decrease in regular income, our investment result of €432m for the first half of the year was up on the same period in 2013 (€362m). In the second quarter, this figure was €259m (178m). The improvement in both periods was attributable to higher gains on disposals from our equity portfolio.

Overall, the operating result and consolidated result were thus at a satisfactory level.

Reinsurance – Property-casualty

Key figures¹

		Q1-2 2014	Q1-2 2013	Change	Q2 2014	Q2 2013	Change
				%			%
Gross premiums written	€m	8,478	8,533	-0.6	4,097	4,135	-0.9
Share of gross premiums written in reinsurance	%	63.2	60.5		62.4	58.0	
Loss ratio	%	63.4	62.8		70.0	69.1	
Thereof: Major losses	Percentage points	8.2	8.8		15.4	15.2	
Expense ratio	%	30.7	29.6		31.4	30.2	
Combined ratio	%	94.1	92.4		101.4	99.3	
Operating result	€m	1,519	1,226	23.9	650	328	98.2
Consolidated result	€m	1,149	961	19.6	502	306	64.1

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

Premium

Gross premiums by division – Q1-2 2014



Global Clients and North America	38% (38%)
Germany, Asia Pacific and Africa	22% (19%)
Europe and Latin America	21% (21%)
Special and Financial Risks	19% (22%)

Our premium income in property-casualty reinsurance decreased marginally year on year to €8.48bn (8.53bn) for the first half of 2014, and totalled €4.10bn (4.14bn) for the period from April to June.

If exchange rates had remained the same, premium income would have risen by 3.6% for the first half-year and 2.7% for the second quarter.

The outcome of the renewals at 1 January 2014 was positive. Premium volume of around €8.7bn was up for renewal, and we were able to post slight premium growth of 2.7%. Given our well-diversified portfolio, prices declined only marginally by 1.5%. By contrast, the renewals at 1 April 2014 involved a relatively small volume of business of around €800m, or around 5% of the overall portfolio in the property-casualty reinsurance segment. About a quarter of this concerned the Japanese market, and another 40% North America and global clients. These renewals also comprised a high percentage of natural catastrophe business – somewhat more than 40% of the premium worldwide. Premium volume remained largely constant, although prices fell by around 8%. One important reason for the major drop in prices in April was the keen competition in natural catastrophe business. However, there is a significant difference between the situation in Japan and that in North America. Both markets showed a similar decline in prices in non-proportional natural catastrophe business, but the prices in Japan were considerably higher as a result of the substantial losses sustained in 2011. This meant that the renewals there were still quite profitable, albeit at a lower level than in the previous year.

Result

In the first half of 2014, we posted a good technical result of €1,060m (1,203m) that was within our target range for the financial year. Following a very pleasing result of €822m (882m) for the first quarter, which was marked by a general absence of major losses, the result for the second quarter was significantly lower at €238m (321m).

In the period January to June, we posted overall major-loss expenditure of €656m (711m), of which €617m (605m) was attributable to the second quarter, in each case after retrocessions and before tax. The figure for the second quarter was higher than the expected value for this period.

Claims costs from natural catastrophes amounted to €327m (338m) in the first half-year, the major portion of which – €291m (314m) – was allocable to the second quarter. In February, a massive storm with heavy snowfall caused significant damage in Japan. We are currently proceeding on the assumption that our loss expenditure for this will come to €180m. This figure was not recognised in the income statement until the second quarter of the year owing to late-reported claims. In April, a powerful earthquake off the coast of northern Chile wreaked considerable damage, for which we currently anticipate net expenditure of around €50m. Moreover, in May heavy and persistent rainfall led to substantial floods in Serbia, Bosnia-Herzegovina and Croatia, for which we expect net expenditure to amount to €40m.

Man-made losses totalled €329m (373m) for the first half of the year and €326m (291m) for the period April to June. The largest claim for the second quarter was a fire loss in the low three-digit million euro range. The second-largest individual loss for the second quarter was a liability claim that cost us €65m.

The combined ratio amounted to 94.1% (92.4%) of net premiums earned for the first six months of the year and 101.4% (99.3%) for the second quarter. The overall major-loss expenditure included in this figure was 8.2 (8.8) percentage points for the period January to June. Following significantly below-average expenditure of 1.0 percentage points for major losses in the first quarter, the figure for the period April to June, by contrast, was significantly above-average at 15.4 (15.2) percentage points.

In addition to the comprehensive reassessment of provisions for basic losses that we carry out primarily towards the end of the year, we also perform detailed quarterly analyses of the claims advices we receive. Due to our careful reserving policy, the claims burden accounted for when an underwriting year's claims expenditure is first recorded tends to be higher. As a consequence, positive result contributions are possible up to final settlement of a claim. As the claims notifications remained significantly below the expected level, we made reserve releases of around €180m.

Our investment result totalled €1,081m (664m) for January to June 2014 and €714m (327m) for the second quarter, the increase being mainly due to a higher result from disposals.

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

Primary insurance

- Total premium volume of €9.3bn (9.3bn) in the first half-year, and €4.5bn (4.4bn) in the second quarter
- Increased premium income in life insurance of €3.4bn (3.3bn) in first six months and €1.8bn (1.7bn) in the second quarter
- Improved result in health primary insurance for both the first six months and second quarter
- Combined ratio of 95.5% (96.0%) for property-casualty business for the first half-year and 96.0% (96.1%) for the second quarter
- Higher year-on-year investment result of €3.1bn (2.5bn) thanks to write-ups of derivatives; €1.6bn (1.0bn) in the second quarter.
- Good consolidated result of €258m (266m) in the first half-year; €104m (149m) in the second quarter

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

ERGO successfully implemented structural changes on 1 April 2014. German business in life, health and travel insurance were pooled in a single division for insurances of the person. The customer and sales division now combines all service-oriented and administrative functions. Furthermore, ERGO Beratung und Vertrieb AG was launched. The previous five tied agents' organisations have been merged into two homogeneous organisations, each of which will have a competitive size and uniform structures.

Primary insurance – Life

Key figures¹

		Q1-2 2014	Q1-2 2013	Change	Q2 2014	Q2 2013	Change
				%			%
Total premium income ²	€m	3,426	3,324	3.1	1,798	1,702	5.6
Gross premiums written	€m	2,748	2,658	3.4	1,393	1,301	7.1
Share of gross premiums written in primary insurance	%	31.9	30.8		34.4	32.7	
Operating result	€m	139	34	308.8	50	8	525.0
Consolidated result	€m	82	64	28.1	38	41	-7.3

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

2 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

Total premium income in life primary insurance increased year on year both for the first six months and for the second quarter. However, development varied between Germany and other countries.

In Germany, premium income totalled €2,443m (2,507m) in the first six months and €1,284m (1,294m) in the second quarter. The decrease was due above all to lower regular premium volume. There was only a slight fall in single premium income, as we were able to partly offset the fall in the shorter-term-oriented capitalisation product Maxi-Zins with satisfying growth in company pension business. Hence, altogether gross premiums written declined to €1,961m (2,018m) in the first half-year and €971m (984m) from April to June. Persistently low interest rates again created a difficult market environment in the first six months. German new business fell by 3.8% to €552m (574m), also because the figure for the first half of 2013 had been inflated by a large number of policies concluded in 2012 but not accounted for until 2013. In terms of annual premium equivalent (APE, i.e. regular premium income plus one-tenth of single-premium volume), which is the performance measure customary among investors, our new business volume was down 9.2%.

The new generation of life insurance products ERGO has been marketing over the past year in two variants sold well in the first half of 2014, accounting for more than 70% of annuity policies it sold in private-client business not sponsored by the state.

In international business, total premium volume amounted to €983m (817m) for the first half-year and €514m (408m) from April to June. The marked year-on-year increase is due in particular to good growth in Poland and Austria. As a result, gross premiums written climbed to €787m (640m) in the first two quarters and €422m (317m) from April to June. New business increased significantly in the first half-year by 63.2% to €573m (351m). In terms of annual premium equivalent, growth totalled 35.2%, mainly owing to the good situation in Poland, where there was pleasing development in new business through banks.

In recent months, a ruling of the Court of Justice of the European Union (CJEU) and two decisions of the German Federal Court of Justice (BGH) have addressed the so-called policy model and its compatibility with European law, and the right of policyholders to withdraw from the life insurance policies concerned. The Court of Justice of the European Union delivered a ruling on 19 December 2013, and the German Federal Court of Justice handed down a decision on 7 May 2014, which considered whether a statutory exception and its consequences were incompatible with European law. The case did not involve an ERGO company, and is also not yet concluded: the Federal

Court of Justice has referred the case back to the Higher Regional Court (OLG) in Stuttgart for a final decision. We have set aside a reserve in case of any repayment claims that may be submitted. In a judgment handed down on 16 July 2014, the Federal Court of Justice decided that the policy model used from the middle of 1994 to the end of 2007 did conform with European law.

Result

The technical result totalled –€42m (–36m) for the first six months and –€73m (–2m) for the second quarter. Compared with the period last year, this decline was due in particular to much higher claims expenses in German business. The result was also reduced by the reserve set aside for possible repayment claims as a consequence of the decisions by the Court of Justice of the European Union and the German Federal Court of Justice. By contrast, the lower deferred acquisition costs compared with the previous year had a positive effect on the technical result. The investment result was €2,158m (1,537m) in the first half of the year and €1,096m (537m) in the second quarter. This significant improvement was largely attributable to a higher balance from write-ups and write-downs, mainly due to write-ups of interest-rate derivatives. The increase was also due to the fact that the net unrealised gains on investments shown at market values in the income statement and held for the benefit of policyholders who bear the investment risk rose to €325m (23m).

The improvement in our investment result was the main reason for the increased operating result. The bottom line was a higher consolidated result.

Primary insurance – Health

Key figures

		Q1-2 2014	Q1-2 2013	Change	Q2 2014	Q2 2013	Change
				%			%
Gross premiums written	€m	2,852	2,868	–0.6	1,421	1,436	–1.0
Share of gross premiums written in primary insurance	%	33.1	33.3		35.0	36.1	
Operating result	€m	150	129	16.3	84	78	7.7
Consolidated result	€m	79	63	25.4	46	38	21.1

Premium

Premium volume of €2,852m in the health segment in the first half-year was slightly below the previous year's level (€2,868m), and in the second quarter it amounted to €1,421m (1,436m). Business with supplementary benefit covers increased year on year by 2.7%, whilst premium income in comprehensive health insurance declined by 2.2%. In comprehensive health business, premium income was mainly impacted by two effects: the falling number of insureds, and low premium adjustments as at 1 April. New business in comprehensive health insurance declined appreciably (–26.5%) in the first six months compared with the first half of 2013. This decrease reflects the high number of policies concluded at the end of 2012 that were accounted for in the first half of 2013. This fact was also responsible for the decrease in supplementary health insurance, which at 12.7% was less pronounced than in comprehensive health insurance.

In travel insurance, which we account for in the health segment and write in Germany and abroad, we registered an increase in premium volume of 2.6% to €236m (230m) for the period January to June 2014. While German business expanded by 4.8%, premium income from international business went up only slightly by 0.5%.

Result

Our technical result amounted to €203m (185m) in the first half-year and €78m (84m) in the second quarter. As well as benefiting from an improved claims situation in travel insurance, this was also due in part to lower costs and an increase in premium income in direct insurance. At €721m (696m), the investment result developed favourably in the first six months of the year, and was good at €377m (367m) for the period from April to June. This was due to a variety of positive factors, including an increased result from disposals and a higher balance from write-ups and write-downs.

Overall, we posted an improved operating result and consolidated result.

Primary insurance – Property-casualty

Key figures¹

		Q1-2 2014	Q1-2 2013	Change	Q2 2014	Q2 2013	Change
				%			%
Gross premiums written	€m	3,018	3,094	-2.5	1,239	1,240	-0.1
Share of gross premiums written in primary insurance	%	35.0	35.9		30.6	31.2	
Loss ratio	%	60.9	61.7		61.6	62.3	
Expense ratio	%	34.6	34.3		34.4	33.8	
Combined ratio	%	95.5	96.0		96.0	96.1	
Operating result	€m	238	265	-10.2	111	137	-19.0
Consolidated result	€m	97	139	-30.2	20	70	-71.4

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

Premium

Premium income declined year on year both in Germany and in other countries.

In Germany, our premium volume totalled €1,903m (1,926m) for the first six months and €682m (666m) for the second quarter. Development in the individual fields of business differed. At 3.4%, commercial and industrial business showed the strongest fall in premium, deriving mainly from commercial and industrial property insurance. Particularly in industrial property insurance, premium development was negatively influenced by rehabilitation measures. Personal lines property business showed a 4.8% reduction in premium income, above all due to the measures taken to increase profitability in homeowners' comprehensive insurance. By contrast, premium volume in private third-party liability insurance was up by 1.9%. In personal accident insurance and legal protection insurance, we saw a general decline in premium income. However, premium was up marginally by 1.7% in motor insurance.

We posted premium volume of €1,115m (1,168m) in international business for the first half-year and €557m (574m) for the period from April to June. More than half of the decline is attributable to negative currency translation effects. Property-casualty business (without legal protection insurance) showed a decrease of 5.6% to €770m (816m) in the first two quarters. Good growth in Russia contrasted with lower premium volume in Poland and Turkey in particular. Moreover, our premium volume in international legal protection business was down by 2.0% to €345m (352m), primarily due to a one-off effect in the United Kingdom in the same period last year.

Result

At €195m (184m), the technical result developed well in the first six months of 2014. The same applies to the second quarter at €94m (89m). Paid claims and the change in claims provisions totalling €1,582m (1,631m), along with net operating expenses of €886m (891m), compared with net earned premiums of €2,561m (2,601m).

The combined ratio for the period from January to June was 95.5% of net earned premiums – a deterioration on the same period last year (96.0%) – and for the second quarter it was 96.0% (96.1%). The combined ratio for German business amounted to 95.1%, or 0.6 percentage points higher than in the same period last year, partly owing to major losses in the second quarter. In international business, the combined ratio improved to 96.2% (98.6%). We achieved significant improvements especially in Poland and the Netherlands.

At the beginning of June, bad weather across much of western Germany caused considerable damage to buildings and motor vehicles. The areas of North Rhine-Westphalia, Lower Saxony and Hessen were hit hardest. Initial estimates project gross claims costs of around €21m.

The investment result showed a year-on-year decline from €219m to €191m in the first half-year and from €109m to €91m in the second quarter. The decline is mainly due to lower regular income and a decrease in the result from disposals.

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

In June 2014, ERGO reached agreement with SHC Capital Asia Limited, the owner of property-casualty insurer SHC Insurance Pte. Ltd (SHC) in Singapore, for ERGO to acquire all of the shares in the property-casualty insurer. The financial supervisory authority in Singapore has already approved the transaction, and the shareholders of SHC Capital Asia Limited approved the transfer at the end of July 2014. SHC ranks 14th in the Singapore property-casualty market. The company offers a broad range of property-casualty insurance and generated premium income equivalent to around €45m in 2013. The Singapore property-casualty market has grown annually by about 10% in recent years and is profitable, its combined ratio amounting to just over 90%. Growth prospects for the next few years are also positive, making this acquisition an important element of ERGO's international growth strategy, especially as it offers a good platform for launching further business in target markets in Southeast Asia.

Munich Health

- Gross premium income of €2.7bn for the first half-year below previous-year level (€3.4bn); €1.2bn (1.7bn) for the second quarter
- Slightly higher combined ratio of 99.3% (98.9%) for the first half-year; 98.8% (98.4%) for the second quarter
- Decreased investment result of €43m (87m) for the first half-year and €23m (33m) for the second quarter
- Decline in the consolidated result to €42m (68m) for the first half-year; €22m (31m) for the second quarter

Key figures¹

		Q1-2 2014	Q1-2 2013	Change	Q2 2014	Q2 2013	Change
				%			%
Gross premiums written	€m	2,740	3,377	-18.9	1,239	1,703	-27.2
Loss ratio ²	%	82.5	79.9		80.5	80.3	
Expense ratio ²	%	16.8	19.0		18.3	18.1	
Combined ratio ²	%	99.3	98.9		98.8	98.4	
Operating result	€m	60	100	-40.0	35	52	-32.7
Consolidated result	€m	42	68	-38.2	22	31	-29.0

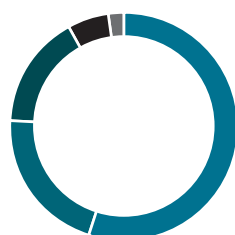
1 Previous year's figures adjusted owing to IAS 8.

2 Excluding business conducted like life insurance.

With the exception of the German health insurers belonging to ERGO, Munich Re's global healthcare insurance and reinsurance business is combined under the Munich Health brand. We offer our international clients across the world innovative insurance solutions and individual consultancy and services.

Premium

Gross premiums by market region – Q1-2 2014



North America (NA)	56% (63%)
Northern/Eastern/Central Europe (NECE)	20% (15%)
Southern Europe/Latin America (SELA)	15% (14%)
Middle East/Africa (MEA)	7% (5%)
Asia/Pacific (APAC)	2% (3%)

Gross premiums written for the first six months were down year on year. In reinsurance, the decrease of 12.8% to €2.1bn (2.4bn) was attributable to adverse effects from the exchange rate of the Canadian dollar, and to a reduction of our share in a large-volume treaty in North America. In primary insurance, there was a decrease of 33.2% to €667m (999m), which was mainly due to the sale of the Windsor Health Group (WHG). By contrast, our companies in Belgium and Spain increased their premium income. If exchange rates had remained unchanged, and adjusted for the sale of WHG, Munich Health's gross premiums would have declined year on year by 2.5% in the first six months and 11.3% in the second quarter.

Result

The technical result decreased year on year to €38m (45m) for the first half-year and €24m (32m) for the second quarter, owing mainly to the absence of WHG's contribution.

The Munich Health combined ratio, which relates only to short-term health business, not to business conducted like life insurance, amounted to 99.3% (98.9%) for the period January to June and 98.8% (98.4%) for the second quarter. Business conducted like life insurance accounted for 9.9% (7.6%) of gross premiums written in the first six months of 2014. In reinsurance, the combined ratio amounted to 99.4% (99.0%) for the first six months and 98.9% (99.2%) for the second quarter. In primary insurance, the combined ratio was 98.8% (98.4%) for the first half-year and 98.2% (95.8%) for the period April to June. The second quarter of the previous year strongly benefited from positive one-off effects from WHG.

We achieved an investment result of €43m (87m) for the first half of the year and €23m (33m) for the second quarter. The appreciable decrease for the first half-year is attributable to high gains on disposals realised in particular in the first quarter of 2013.

The reduced investment result and the sale of WHG, which had a positive effect on the result in the first half of 2013, were significantly responsible for the lower operating result and consolidated result.

Investment performance

- Fall in interest rates leads to higher market values of €229.3bn (217.7bn)
- Increase in valuation reserves to €23.2bn (15.2bn)
- Investment result of €4.6bn (3.6bn) 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. Volatility in the markets results in changes in the values of derivatives, which under IFRS accounting we recognise in profit or loss.

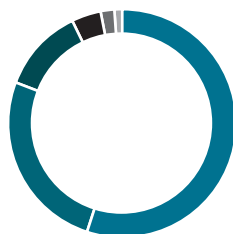
Investment mix

€m	Reinsurance					
	Life		Property-casualty		Life	
	30.6.2014	31.12.2013	30.6.2014	31.12.2013	30.6.2014	31.12.2013
Land and buildings, including buildings on third-party land	254	263	1,211	1,218	1,336	1,358
Investments in affiliated companies	22	19	99	81	45	44
Investments in associates	1	-	730	737	90	93
Loans	41	34	161	125	34,710	35,185
Other securities held to maturity	-	-	-	-	2	5
Other securities available for sale						
Fixed-interest	13,882	12,822	46,587	43,156	35,443	33,037
Non-fixed-interest	1,206	1,273	5,493	6,096	2,558	2,537
Other securities at fair value through profit or loss						
Held for trading						
Fixed-interest	-	-	16	595	31	52
Non-fixed-interest	-	-	38	36	-	-
Derivatives	655	650	265	406	966	823
Designated as at fair value through profit or loss						
Fixed-interest	-	-	-	-	235	163
Non-fixed-interest	-	-	-	-	1	1
Deposits retained on assumed reinsurance	7,692	7,847	1,096	1,279	91	128
Other investments	402	409	1,344	1,451	1,354	901
Investments for the benefit of life insurance policyholders who bear the investment risk	-	-	-	-	7,301	6,698
Total	24,155	23,317	57,040	55,180	84,163	81,025

	Primary insurance				Munich Health		Asset management		Total	
	Health		Property-casualty		30.6.2014	31.12.2013	30.6.2014	31.12.2013	30.6.2014	31.12.2013
	30.6.2014	31.12.2013	30.6.2014	31.12.2013						
	746	755	92	93	9	10	65	65	3,713	3,762
	11	11	62	49	1	1	12	9	252	214
	171	169	164	163	89	93	37	45	1,282	1,300
	18,041	17,916	1,844	1,961	24	22	2	2	54,823	55,245
	-	-	-	-	-	-	-	-	2	5
	16,097	15,179	6,284	5,929	2,973	2,858	658	690	121,924	113,671
	1,312	1,053	1,128	1,071	113	125	101	76	11,911	12,231
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	47	647
	-	-	-	-	1	1	-	-	39	37
	152	127	21	31	-	2	-	-	2,059	2,039
	-	-	-	-	-	-	-	-	235	163
	-	-	-	-	-	-	-	-	1	1
	1	1	8	5	330	376	-	-	9,218	9,636
	637	207	465	323	109	80	155	453	4,466	3,824
	-	-	-	-	1	1	-	-	7,302	6,699
	37,168	35,418	10,068	9,625	3,650	3,569	1,030	1,340	217,274	209,474

Distribution of investments by type

Total: €217bn (209bn)



Fixed-interest securities	56% (55%)
Loans	25% (26%)
Miscellaneous investments	12% (12%)
Shares and equity funds	4% (4%)
Real estate	2% (2%)
Participating interests	1% (1%)

The carrying amount of our investment portfolio, which continues to be dominated by fixed-interest securities, loans and short-term fixed-interest investments, rose compared with the position at the beginning of the year. At 30 June 2014, the carrying amount of our investments amounted to €217.3bn (209.5bn). Falling risk-free interest rates and credit risk spreads led to increasing market values.

In the period under review, we reduced our portfolio of covered bonds and structured credit products to some extent and instead invested more in government bonds.

The fall in interest rates led to an increase in on- and off-balance-sheet gains and losses, which would be posted to the income statement upon disposal of the relevant investments. Excluding owner-occupied property, these climbed from €15.2bn at 31 December 2013 to €23.2bn at 30 June 2014.

Other securities available for sale

€m	Carrying amounts		On-balance-sheet unrealised gains and losses		At amortised cost	
	30.6.2014	31.12.2013	30.6.2014	31.12.2013	30.6.2014	31.12.2013
Fixed-interest	121,924	113,671	8,719	4,661	113,205	109,010
Non-fixed-interest	11,911	12,231	2,118	1,975	9,793	10,256
Total	133,835	125,902	10,837	6,636	122,998	119,266

Off-balance-sheet unrealised gains and losses

€m	Fair values		Off-balance-sheet unrealised gains and losses		Carrying amounts	
	30.6.2014	31.12.2013	30.6.2014	31.12.2013	30.6.2014	31.12.2013
Land and buildings ¹	8,407	8,353	2,235	2,172	6,172	6,181
Associates	1,655	1,721	382	430	1,273	1,291
Loans	64,703	61,316	9,880	6,071	54,823	55,245
Other securities	2	5	-	-	2	5
Total	74,767	71,395	12,497	8,673	62,270	62,722

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: €196bn (184bn)



Government bonds ²	48%	(46%)
Thereof: Inflation-linked bonds	8%	(8%)
Pfandbriefs/Covered bonds	27%	(29%)
Corporate bonds	10%	(10%)
Cash/Other	5%	(5%)
Structured products (credit structures)	3%	(4%)
Bank bonds	4%	(3%)
Policy and mortgage loans	3%	(3%)

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

Nearly half of our fixed-interest portfolio is invested in government bonds. In the current financial year, we have mainly made new investments in US, French, Spanish and Italian government bonds. The purchase of government bonds from emerging markets is also part of our balanced investment strategy. Reductions focused on our holdings of bonds from German issuers. The vast majority of our government bonds continue to come from countries with a high credit rating. As part of our risk management, we gear our risk capital requirements and limits to the ratings of the relevant issuers. At present, almost 45% of our government bond portfolio is made up of German and US bonds, with only 9% from Italian, Spanish, Portuguese and Irish issuers. We do not hold any government bonds from Greece, Cyprus or Argentina.

Our portfolio of covered bonds decreased. Above all, we reduced the amount of German Pfandbriefs by not replacing them upon maturity; nevertheless, German Pfandbriefs continue to dominate our portfolio.

Fixed-interest securities: Bank bonds¹

%	30.6.2014	31.12.2013
Senior bonds	82	84
Loss-bearing bonds	4	5
Subordinated bonds	14	11

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

Over the course of the last few years, we reduced our holdings of bank bonds. This year, we increased them again slightly to 4% (3%) of our portfolio of fixed-interest securities.

Corporate bonds from other sectors account for 10% (10%) of our portfolio of fixed-interest securities, our exposure being increased by a further percentage point through credit derivatives.

Thanks to our active duration management, the economic interest-rate risk within the Group remains at a low level.

The market value of our equity portfolio (before taking derivatives into account, and including investments in affiliated companies and associates at market value) fell slightly in the first six months of 2014. Our equity-backing ratio was 4.4% (4.6%). In the first half of 2014, the derivatives used to hedge our equity portfolio were increased, thus slightly decreasing our equity exposure. Including hedges, our equity-backing ratio was 4.0% (4.5%). Besides this, we are protecting ourselves against accelerated inflation in an environment of continuing low interest rates. For this, we hold inflation-linked bonds with a volume of €7.5bn (6.8bn) and inflation-linked swaps with an exposure of €5.1bn (4.4bn). Real assets like shares, property, commodities, and investments in renewable energies and infrastructure also serve as protection against inflation, and have a positive diversification effect on the overall portfolio.

Investment result¹

	Q1-2 2014	Return ²	Q1-2 2013	Return ²	Q2 2014	Q2 2013
	€m	%	€m	%	€m	€m
Regular income	3,636	3.2	3,826	3.4	1,924	2,020
Write-ups/write-downs	29	0.0	-445	-0.4	156	-342
Net realised capital gains	953	0.9	463	0.4	441	139
Other income/expenses	19	0.0	-281	-0.2	46	-261
Total	4,637	4.1	3,563	3.2	2,567	1,556

¹ Details of the result by type of investment are shown on page 75 ff.

² Annualised return in % p.a. on the average market value of the investment portfolio at the quarterly reporting dates.

Regular income

In both the first half of 2014 and in the second quarter, regular income was again down slightly year on year. This results from the yields on the fixed-interest securities newly purchased over the last three months, which at 2.7% remained lower than the average return on our existing portfolio.

Write-ups and write-downs

In the first half of 2014, we posted net write-ups of €29m (-445m), which resulted in particular from our interest-rate hedging programme in life primary insurance.

The reason for the improved overall position compared with the previous year is that in an environment of falling interest rates, our interest-rate hedges appreciated in value significantly. We use interest-rate hedges to ensure that we can meet the long-term interest-rate guarantees extended to our clients. Even if derivatives are not sold, the changes in their value are reflected in the net balance from write-ups and write-downs.

In our gold portfolio, after substantial impairment losses in the previous year, we were able to make reversals of impairments to the amount of €27m during the current year.

Realised gains/losses on investments

In the first half of the 2014 financial year, we posted net gains on disposal of €953m (463m) through active asset management, primarily from our portfolio of fixed-interest securities – most notably on government bonds – and equities. The year-on-year improvement in our result from disposals was due chiefly to significant gains realised on our equity portfolio, particularly in reinsurance.

Insurance-linked derivatives

Insurance-linked derivatives

				30.6.2014	31.12.2013	Change
				€m	€m	%
Insurance-linked derivatives in investments				607	569	6.7
Liabilities from insurance-linked derivatives				461	427	8.0
	Q1-2 2014	Q1-2 2013	Change	Q2 2014	Q2 2013	Change
	€m	€m	%	€m	€m	%
Result from insurance-linked derivatives	-12	-5	-140.0	-3	-1	-200.0

Under insurance-linked derivatives, we subsume the derivative portions of natural catastrophe bonds and of securitisations of mortality and morbidity risks, individually structured insurance-linked derivatives, and derivative components which are separated from their host contract in accounting. This category also includes retrocessions in the form of derivatives to hedge insurance risks assumed, and embedded derivatives in variable annuities and their derivative hedging instruments. All income and expenditure arising from our insurance-linked derivatives is shown as a result from derivatives in the investment result.

Asset management for clients

MEAG MUNICH ERGO AssetManagement GmbH (MEAG) is the asset manager of Munich Re. Through its investment company, MEAG also offers its expertise to private and institutional clients directly and via funds.

Assets under management for third parties

				30.6.2014	31.12.2013	Change
				€bn	€bn	%
Third-party investments				13.2	12.9	2.5
Thereof: External institutional investors				10.3	10.2	1.0
Thereof: Private-client business				2.9	2.7	8.6

Prospects

- Premium income of approximately €48bn expected
- Return on investment likely to be around 3.5%
- Profit guidance of €3bn for 2014 still valid

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

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

Reinsurance

Reinsurance remains an attractive business field, with a wide variety of earnings opportunities for us. Although insurance density in the western industrialised countries and some well advanced Asian nations is already high, these markets still have an additional need for insurance cover because weather-related natural hazards exposure is showing an increasing trend as the climate changes and the concentration of values in exposed regions becomes greater. In regions with very rapid economic development, the demand for insurance remains significant for protecting the large centres of high-quality industrial manufacturing and the rising prosperity of the population. Moreover, generally only a small portion of the risks from potential liability claims by third parties are insured. As a result, the strongly increasing capacity supply in the primary insurance and reinsurance sectors at present is matched by a not yet exhausted demand potential in many classes of business.

Munich Re offers its cedants specialist consulting services and extensive solutions, also for tasks in connection with accounting, risk modelling and asset-liability management. Reinsurance provides primary insurers with flexible and efficient protection against major claims and accumulation losses, and strengthens their capital base. In addition to this, we devise innovative coverage concepts that go beyond the scope of traditional reinsurance and to an increasing extent also beyond the conventional boundaries of insurability. Thus, for example, we cover performance guarantees for solar modules, and offer coverage for deep-sea oil wells and internet risks. In connection with alternative risk transfer, we exploit the advantages of the dynamic market environment and securitise insurance risks on the capital market both for our clients and for us. And we partner our clients in the often challenging task of adjusting to changes in regulatory requirements, which will be altered significantly in many countries in the coming years.

Stimuli in life insurance will derive especially from the dynamic expansion of the Asian life insurance markets. We structure our products so that they are tailored to our clients' needs while conforming to our risk strategy.

We expect increasing demand for the management of investment risks in life insurance portfolios. There will also continue to be demand for solutions geared to good capital management. Despite a principally intact growth trend, premium volume in primary insurance has seen stagnation in many important regions for our business. This is due to the generally weak economy and reduced readiness to purchase insurance because of the financial crisis. Together with a tendency towards increased retentions, this has a dampening effect on the demand for reinsurance.

For 2014, we expect gross premiums written in life reinsurance to continue to be in the region of just over €9.5bn. The decline of nearly €1bn compared with the forecast we made in our annual report for 2013 is mainly due to negative currency translation effects. The technical result should be in the region of €400m in the absence of exceptional claims expenditure from recent claims experience or the commutation of poorly performing reinsurance treaties.

In property-casualty reinsurance, which is traditionally heavily exposed to pricing cycles and random fluctuations in the amount of major losses, Munich Re will maintain its clear, profit-oriented underwriting policy and accept risks only at commensurate prices, terms and conditions. We are currently experiencing unrelenting competition. On the one hand, given their good capitalisation, primary insurers are ceding fewer risks to reinsurers. On the other hand, reinsurers are able to provide ample capacity, since their capital base has also steadily improved thanks to the good results posted over the last few years. There is thus currently appreciable surplus capacity on the supply side. Last but not least, insurance-linked securities and other forms of reinsurance-like transactions are also increasingly being favoured by institutional investors such as pension funds in their search for a reasonable return. This capital is mainly being channelled into non-proportional catastrophe business such as covers for hurricane losses in the USA, whilst reinsurers that previously focused on this segment are seeking to diversify into other segments. The prices, terms and conditions for reinsurance cover have therefore come under increasing pressure. This has also impacted Munich Re's portfolio, as the price erosion in the most recent treaty renewals has shown. It is still too early to say whether the currently observable first signs of a certain stabilisation, in particular of prices for insurance-linked securities, herald a sustainable consolidation of the reinsurance markets. If, contrary to expectations, there were a further significant fall in prices, Munich Re would withdraw from an even more substantial volume of business.

As a well-diversified reinsurer with extensive know-how, we are able to offer tailor-made solutions, in contrast to most providers. These include multi-year treaties (occasionally incorporating cross-line and cross-regional covers), retroactive reinsurance solutions, transactions for capital relief, and the insurance of complex liability, credit and industrial risks. Moreover, with our technical expertise and risk knowledge, we are in a position to support rapidly growing industries and to judiciously extend the boundaries of insurability with needs-based covers.

At 1 July 2014, a volume of around €2.0bn, or approximately 12% of the overall portfolio, was up for renewal in the property-casualty reinsurance segment. It concerned in particular parts of the US portfolio, Latin America and Australia, and business with individual global clients. The prices remained under pressure during these renewals and the rates fell significantly overall, in particular for non-proportional natural catastrophe covers. Our portfolio saw a decline of over 7% in premium volume, which includes a fall in prices that we estimate at around 3.6 percentage points.

For 2014, we anticipate that gross premiums written in property-casualty reinsurance will total just over €16.5bn. The decline of almost €1bn compared with the forecast we made in our annual report for 2013 is mainly due to negative currency translation effects. The combined ratio is likely to be around 95% of net premiums earned. The deterioration compared with our original expectations of around 94% is largely attributable to the above-average major-loss expenditure in the second quarter, but also to reduced prices and a change in the portfolio mix, in particular the increased share of long-tail casualty business.

Gross premiums in reinsurance as a whole should be slightly over €26bn in 2014, although currency translation effects could potentially continue to have a considerable impact on this estimate. We project that the consolidated result for 2014 in reinsurance will be in the range of €2.3–2.5bn.

Primary insurance

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

ERGO intends to continue exploring innovative ways of designing products. The product concept which ERGO introduced in life insurance in 2013, initially only for unsponsored private provision for old age, and which was marketed by its tied agency sales force, is to be extended in 2015 to include company pension schemes and additional sales channels. Extension of this product concept to include “Rürup” pension plans is also scheduled for next year.

In life primary insurance, our total premium income is likely to be around €7bn, with gross premiums written amounting to around €5.5bn. Given the persistently low interest rates worldwide and a climate that is thus not conducive to private provision for old age, the environment remains challenging. Development will be substantially influenced by volatile, heavily interest-rate-dependent single-premium business, which we write very selectively. With the product concept we introduced in the German market in summer 2013, we nevertheless see good opportunities to position ourselves promisingly in this difficult market.

In Germany, various legal amendments passed in July strengthened the risk-bearing capacity of life insurers in a period of persistently low interest rates. The modifications to policyholders’ participation in the valuation reserves are particularly welcome, even though other points concerning the law reform have been criticised by German insurance companies.

For the health primary insurance segment, we are proceeding on the assumption that gross premiums written will amount to slightly over €5.5bn. In private health insurance, the premium adjustment we made in the financial year 2014 was significantly lower than in 2013. The falling number of insureds in our portfolio is leading to a decline in premium in comprehensive health cover. In supplementary health business, by contrast, we still see good growth opportunities, especially in supplementary long-term care insurance and company health insurance, and we therefore expect a slight increase in premium in this portion of our portfolio.

In property-casualty primary insurance, gross premiums written are also likely to amount to almost €5.5bn. For German business, we are anticipating a total of around €3.3bn. At the same time, we are attaching great importance to adequate prices. In international business, we project gross premium volume of around €2.1bn. The

combined ratio in property-casualty business should be down year on year by around two percentage points and amount to a good level of around 95%, with domestic and non-German business likely to contribute to this improvement.

Total premium income in primary insurance in 2014 should amount to around €18bn, with gross premiums written totalling somewhat more than €16.5bn.

For the primary insurance segment, we project a consolidated result for 2014 in the range of €400–500m, with €350–450m for the ERGO Group. The difference between the consolidated result targets for the primary insurance segment and ERGO is mainly attributable to intra-Group business between primary insurance and reinsurance.

Munich Health

Owing to medical advances and generally improved life expectancy, the international healthcare markets offer a wide range of growth opportunities for Munich Health. We intend to utilise these opportunities even better in future, following some adjustments to our strategic orientation. In reinsurance, we see avenues for growth from our clients' increasing numbers of insureds and a rise in demand for customised solutions. The outcome of the treaty renewals in January give us reason to hope for a slight strengthening of profitability. Following the sale of the Windsor Health Group, we project stable development in primary insurance business, marked above all by the profitability of our major subsidiaries in Spain and Belgium.

We are proceeding on the assumption that gross premiums written will amount to somewhat less than €5.5bn in 2014. The combined ratio is likely to be around 99%. Altogether, we expect a profit of around €100m for 2014.

Munich Re (Group)

We anticipate that the Group's gross premiums written for 2014 will total around €48bn.

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 very low level of interest rates on low-risk investments.

Provided that loss experience is average, our assumption for 2014 is that Munich Re will post a technical result below last year's very good level of €3.7bn.

The investment result for 2014 should reach almost €8bn. The return of 4.1% on our investments in the first half-year of 2014 cannot be extrapolated to the year as a whole, because we project lower income from dividends and the disposal of investments in the second half of the year. We currently anticipate a return on investment of around 3.5% for the financial year 2014.

Overall, our profit guidance of €3bn for the 2014 consolidated result remains unchanged.

The share buy-back programme we launched in November 2013 was concluded as planned on 22 April 2014. Under this programme, we bought back a total of 6.4 million Munich Re shares with a volume of €1bn. The shares were retired on 30 April 2014. Including the dividend for the financial year 2013, which was paid out in May 2014, our dividend payments and share buy-backs since 2006 total over €16.5bn.

Our good capitalisation enables us to continue taking selective advantage of opportunities for profitable growth in individual regions and classes of business. We intend to carry on returning excess capital to equity holders in future as well. We aim to repurchase further shares with a volume of up to €1bn before the Annual General Meeting on 23 April 2015, provided no major upheavals occur on the capital markets or in underwriting business.

Beyond this, the statements relating to opportunities and risks as presented in the Munich Re Group Annual Report 2013 apply unchanged.

Interim consolidated financial statements

Consolidated balance sheet as at 30 June 2014

Assets

	30.6.2014			31.12.2013		Change
	€m	€m	€m	€m	€m	%
A. Intangible assets						
I. Goodwill		3,307		3,292	15	0.5
II. Other intangible assets		1,341		1,380	-39	-2.8
			4,648	4,672	-24	-0.5
B. Investments						
I. Land and buildings, including buildings on third-party land		3,713		3,762	-49	-1.3
II. Investments in affiliated companies, associates and joint ventures		1,534		1,514	20	1.3
Thereof:						
Associates and joint ventures accounted for using the equity method		1,273		1,291	-18	-1.4
III. Loans		54,823		55,245	-422	-0.8
IV. Other securities						
1. Held to maturity	2			5	-3	-60.0
2. Available for sale	133,835			125,902	7,933	6.3
3. At fair value through profit or loss	2,381			2,887	-506	-17.5
		136,218		128,794	7,424	5.8
V. Deposits retained on assumed reinsurance		9,218		9,636	-418	-4.3
VI. Other investments		4,466		3,824	642	16.8
			209,972	202,775	7,197	3.5
C. Investments for the benefit of life insurance policyholders who bear the investment risk			7,302	6,699	603	9.0
D. Ceded share of technical provisions			5,267	5,305	-38	-0.7
E. Receivables						
I. Current tax receivables		529		602	-73	-12.1
II. Other receivables		11,815		11,357	458	4.0
			12,344	11,959	385	3.2
F. Cash at bank, cheques and cash in hand			3,087	2,820	267	9.5
G. Deferred acquisition costs						
Gross		9,619		9,603	16	0.2
Ceded share		61		61	-	-
Net			9,558	9,542	16	0.2
H. Deferred tax assets			7,076	6,989	87	1.2
I. Other assets			3,524	3,527	-3	-0.1
Total assets			262,778	254,288	8,490	3.3

Equity and liabilities

		30.6.2014	31.12.2013		Change
	€m	€m	€m	€m	%
A. Equity					
I. Issued capital and capital reserve	7,430		7,426	4	0.1
II. Retained earnings	14,037		12,875	1,162	9.0
III. Other reserves	4,271		2,369	1,902	80.3
IV. Consolidated result attributable to Munich Reinsurance Company equity holders	1,684		3,313	-1,629	-49.2
V. Non-controlling interests	250		243	7	2.9
		27,672	26,226	1,446	5.5
B. Subordinated liabilities		4,405	4,424	-19	-0.4
C. Gross technical provisions					
I. Unearned premiums	8,507		7,994	513	6.4
II. Provision for future policy benefits	112,482		111,427	1,055	0.9
III. Provision for outstanding claims	53,853		53,061	792	1.5
IV. Other technical provisions	15,748		13,519	2,229	16.5
		190,590	186,001	4,589	2.5
D. Gross technical provisions for life insurance policies where the investment risk is borne by the policyholders		7,657	7,043	614	8.7
E. Other accrued liabilities¹		3,748	3,742	6	0.2
F. Liabilities					
I. Bonds and notes issued	249		248	1	0.4
II. Deposits retained on ceded business	2,747		2,762	-15	-0.5
III. Current tax liabilities	3,298		2,795	503	18.0
IV. Other liabilities ¹	13,380		12,859	521	4.1
		19,674	18,664	1,010	5.4
G. Deferred tax liabilities		9,032	8,188	844	10.3
Total equity and liabilities		262,778	254,288	8,490	3.3

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

Consolidated income statement

1 January to 30 June 2014¹

Items

	Q1-2 2014			Q1-2 2013		Change
	€m	€m	€m	€m	€m	%
Gross premiums written	24,780			26,093	-1,313	-5.0
1. Earned premiums						
Gross	24,329			25,525	-1,196	-4.7
Ceded	729			824	-95	-11.5
Net		23,600		24,701	-1,101	-4.5
2. Income from technical interest		3,804		3,309	495	15.0
3. Expenses for claims and benefits						
Gross	20,451			20,044	407	2.0
Ceded share	325			399	-74	-18.5
Net		20,126		19,645	481	2.4
4. Operating expenses						
Gross	5,758			6,637	-879	-13.2
Ceded share	141			158	-17	-10.8
Net		5,617		6,479	-862	-13.3
5. Technical result (1-4)			1,661	1,886	-225	-11.9
6. Investment result						
Investment income	6,989			6,466	523	8.1
Investment expenses	2,352			2,903	-551	-19.0
Total		4,637		3,563	1,074	30.1
Thereof:						
Income from associates and joint ventures accounted for using the equity method		36		24	12	50.0
7. Other operating income		359		353	6	1.7
8. Other operating expenses		401		417	-16	-3.8
9. Deduction of income from technical interest		-3,804		-3,309	-495	-15.0
10. Non-technical result (6-9)			791	190	601	316.3
11. Operating result (5 + 10)			2,452	2,076	376	18.1
12. Other non-operating result			-339	-31	-308	-993.5
13. Impairment losses of goodwill			-	-	-	-
14. Net finance costs			-114	-143	29	20.3
15. Taxes on income			306	390	-84	-21.5
16. Consolidated result (11-15)			1,693	1,512	181	12.0
Thereof:						
Attributable to Munich Reinsurance Company equity holders			1,684	1,491	193	12.9
Attributable to non-controlling interests			9	21	-12	-57.1
			€	€	€	%
Basic earnings per share			9.67	8.32	1.35	16.2

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

Consolidated income statement

1 April to 30 June 2014

Items

	Q2 2014			Q2 2013	Change	
	€m	€m	€m	€m	€m	%
Gross premiums written	11,856			12,809	-953	-7.4
1. Earned premiums						
Gross	12,056			13,025	-969	-7.4
Ceded	351			420	-69	-16.4
Net		11,705		12,605	-900	-7.1
2. Income from technical interest		1,882		1,468	414	28.2
3. Expenses for claims and benefits						
Gross	10,332			10,296	36	0.3
Ceded share	197			231	-34	-14.7
Net		10,135		10,065	70	0.7
4. Operating expenses						
Gross	3,064			3,486	-422	-12.1
Ceded share	76			98	-22	-22.4
Net		2,988		3,388	-400	-11.8
5. Technical result (1-4)			464	620	-156	-25.2
6. Investment result						
Investment income	3,736			3,423	313	9.1
Investment expenses	1,169			1,867	-698	-37.4
Total		2,567		1,556	1,011	65.0
Thereof:						
Income from associates and joint ventures accounted for using the equity method		31		33	-2	-6.1
7. Other operating income		182		198	-16	-8.1
8. Other operating expenses		186		200	-14	-7.0
9. Deduction of income from technical interest		-1,882		-1,468	-414	-28.2
10. Non-technical result (6-9)			681	86	595	691.9
11. Operating result (5 + 10)			1,145	706	439	62.2
12. Other non-operating result			-225	-141	-84	-59.6
13. Impairment losses of goodwill			-	-	-	-
14. Net finance costs			-58	-75	17	22.7
15. Taxes on income			93	-52	145	-
16. Consolidated result (11-15)			769	542	227	41.9
Thereof:						
Attributable to Munich Reinsurance Company equity holders			765	528	237	44.9
Attributable to non-controlling interests			4	14	-10	-71.4
			€	€	€	%
Basic earnings per share			4.43	2.94	1.49	50.7

Consolidated income statement (quarterly breakdown)

Items	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
	€m	€m	€m	€m	€m	€m
Gross premiums written	11,856	12,924	12,470	12,497	12,809	13,284
1. Earned premiums						
Gross	12,056	12,273	12,771	12,544	13,025	12,500
Ceded	351	378	411	433	420	404
Net	11,705	11,895	12,360	12,111	12,605	12,096
2. Income from technical interest	1,882	1,922	1,720	1,735	1,468	1,841
3. Expenses for claims and benefits						
Gross	10,332	10,119	9,967	10,687	10,296	9,748
Ceded share	197	128	155	228	231	168
Net	10,135	9,991	9,812	10,459	10,065	9,580
4. Operating expenses						
Gross	3,064	2,694	3,322	2,731	3,486	3,151
Ceded share	76	65	85	83	98	60
Net	2,988	2,629	3,237	2,648	3,388	3,091
5. Technical result (1-4)	464	1,197	1,031	739	620	1,266
6. Investment result						
Investment income	3,736	3,253	3,415	3,315	3,423	3,043
Investment expenses	1,169	1,183	1,420	1,216	1,867	1,036
Total	2,567	2,070	1,995	2,099	1,556	2,007
Thereof:						
Income from associates and joint ventures accounted for using the equity method	31	5	-54	37	33	-9
7. Other operating income	182	177	264	165	198	155
8. Other operating expenses	186	215	294	211	200	217
9. Deduction of income from technical interest	-1,882	-1,922	-1,720	-1,735	-1,468	-1,841
10. Non-technical result (6-9)	681	110	245	318	86	104
11. Operating result (5 + 10)	1,145	1,307	1,276	1,057	706	1,370
12. Other non-operating result	-225	-114	-235	-407	-141	110
13. Impairment losses of goodwill	-	-	29	-	-	-
14. Net finance costs	-58	-56	-55	-59	-75	-68
15. Taxes on income	93	213	-241	-41	-52	442
16. Consolidated result (11-15)	769	924	1,198	632	542	970
Thereof:						
Attributable to Munich Reinsurance Company equity holders	765	919	1,189	633	528	963
Attributable to non-controlling interests	4	5	9	-1	14	7
	€	€	€	€	€	€
Basic earnings per share	4.43	5.24	6.65	3.53	2.94	5.39

Statement of recognised income and expense

1 January to 30 June 2014¹

€m		Q1-2 2014	Q1-2 2013
Consolidated result		1,693	1,512
Currency translation			
Gains (losses) recognised in equity	162		-58
Recognised in the consolidated income statement	-		-
Unrealised gains and losses on investments			
Gains (losses) recognised in equity	2,323		-1,640
Recognised in the consolidated income statement	-595		-536
Change resulting from valuation at equity			
Gains (losses) recognised in equity	18		-10
Recognised in the consolidated income statement	-		-
Change resulting from cash flow hedges			
Gains (losses) recognised in equity	-		-1
Recognised in the consolidated income statement	-		-
Other changes	14		-
I. Items where income and expenses recognised directly in equity are reallocated to the consolidated income statement	1,922		-2,245
Remeasurements of defined benefit plans	-79		99
Other changes	-		-
II. Items where income and expenses recognised directly in equity are not reallocated to the consolidated income statement	-79		99
Income and expense recognised directly in equity (I + II)		1,843	-2,146
Total recognised income and expense		3,536	-634
Thereof:			
Attributable to Munich Reinsurance Company equity holders		3,527	-638
Attributable to non-controlling interests		9	4

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

Statement of recognised income and expense

1 April to 30 June 2014¹

€m		Q2 2014	Q2 2013
Consolidated result		769	542
Currency translation			
Gains (losses) recognised in equity	160		-269
Recognised in the consolidated income statement	-		-
Unrealised gains and losses on investments			
Gains (losses) recognised in equity	1,329		-1,755
Recognised in the consolidated income statement	-370		-246
Change resulting from valuation at equity			
Gains (losses) recognised in equity	3		2
Recognised in the consolidated income statement	-		-
Change resulting from cash flow hedges			
Gains (losses) recognised in equity	-1		-
Recognised in the consolidated income statement	-		-
Other changes	1		-
I. Items where income and expenses recognised directly in equity are reallocated to the consolidated income statement	1,122		-2,268
Remeasurements of defined benefit plans	-116		10
Other changes	-		-
II. Items where income and expenses recognised directly in equity are not reallocated to the consolidated income statement	-116		10
Income and expense recognised directly in equity (I + II)		1,006	-2,258
Total recognised income and expense		1,775	-1,716
Thereof:			
Attributable to Munich Reinsurance Company equity holders		1,770	-1,711
Attributable to non-controlling interests		5	-5

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

Group statement of changes in equity

	Issued capital	Capital reserve
€m		
Status at 31.12.2012	585	6,836
Allocation to retained earnings	-	-
Consolidated result	-	-
Income and expense recognised directly in equity	-	-
Currency translation	-	-
Unrealised gains and losses on investments	-	-
Change resulting from valuation at equity	-	-
Change resulting from cash flow hedges	-	-
Remeasurements of defined benefit plans	-	-
Other changes	-	-
Total recognised income and expense	-	-
Change in shareholdings in subsidiaries	-	-
Change in consolidated group	-	-
Dividend	-	-
Purchase/sale of own shares	3	9
Retirement of own shares	-	-
Status at 30.6.2013¹	588	6,845
Status at 31.12.2013	581	6,845
Allocation to retained earnings	-	-
Consolidated result	-	-
Income and expense recognised directly in equity	-	-
Currency translation	-	-
Unrealised gains and losses on investments	-	-
Change resulting from valuation at equity	-	-
Change resulting from cash flow hedges	-	-
Remeasurements of defined benefit plans	-	-
Other changes	-	-
Total recognised income and expense	-	-
Change in shareholdings in subsidiaries	-	-
Change in consolidated group	-	-
Dividend	-	-
Purchase/sale of own shares	-17	-
Retirement of own shares	21	-
Status at 30.6.2014	585	6,845

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

Equity attributable to Munich Reinsurance Company equity holders						Non-controlling interests	Total equity
Retained earnings		Other reserves		Consolidated result			
Retained earnings before deduction of own shares	Own shares held	Unrealised gains and losses	Reserve from currency translation	Valuation result from cash flow hedges			
11,015	-77	5,946	-292	-4	3,188	242	27,439
1,933	-	-	-	-	-1,933	-	-
-	-	-	-	-	1,491	21	1,512
91	-	-2,162	-55	-3	-	-17	-2,146
-	-	-	-55	-	-	-3	-58
-	-	-2,162	-	-	-	-14	-2,176
-8	-	-	-	-2	-	-	-10
-	-	-	-	-1	-	-	-1
99	-	-	-	-	-	-	99
-	-	-	-	-	-	-	-
91	-	-2,162	-55	-3	1,491	4	-634
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-1,255	-1	-1,256
23	72	-	-	-	-	-	107
-	-	-	-	-	-	-	-
13,062	-5	3,784	-347	-7	1,491	245	25,656
13,170	-295	3,368	-1,002	3	3,313	243	26,226
2,059	-	-	-	-	-2,059	-	-
-	-	-	-	-	1,684	9	1,693
-59	-	1,740	164	-2	-	-	1,843
-	-	-	164	-	-	-2	162
-	-	1,724	-	-	-	4	1,728
4	-	16	-	-2	-	-	18
-	-	-	-	-	-	-	-
-77	-	-	-	-	-	-2	-79
14	-	-	-	-	-	-	14
-59	-	1,740	164	-2	1,684	9	3,536
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-1	-1
-	-	-	-	-	-1,254	-1	-1,255
-	-838	-	-	-	-	-	-855
-1,000	1,000	-	-	-	-	-	21
14,170	-133	5,108	-838	1	1,684	250	27,672

Condensed consolidated cash flow statement

1 January to 30 June 2014¹

€m	Q1-2 2014	Q1-2 2013
Consolidated result	1,693	1,512
Net change in technical provisions	2,986	1,485
Change in deferred acquisition costs	-16	-153
Change in deposits retained and accounts receivable and payable	752	742
Change in other receivables and liabilities	867	-709
Gains and losses on the disposal of investments	-953	-463
Change in securities at fair value through profit or loss	325	-515
Change in other balance sheet items	-99	-482
Other income/expenses without impact on cash flow	-336	565
I. Cash flows from operating activities	5,219	1,982
Change from losing control of consolidated subsidiaries	-	-
Change from obtaining control of consolidated subsidiaries	-31	-2
Change from the acquisition, sale and maturities of other investments	-2,591	688
Change from the acquisition and sale of investments for unit-linked life insurance	-280	-213
Other	-50	15
II. Cash flows from investing activities	-2,952	488
Inflows from increase in capital and from non-controlling interests	-	107
Outflows to ownership interests and non-controlling interests	834	-
Dividend payments	1,255	1,256
Change from other financing activities	-28	-1,029
III. Cash flows from financing activities	-2,117	-2,178
Cash flows for the financial year (I + II + III)	150	292
Effect of exchange rate changes on cash	117	-34
Cash at the beginning of the financial year	2,820	2,860
Cash at 30 June of the financial year	3,087	3,118

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

Selected notes to the consolidated financial statements

Recognition and measurement

This quarterly report as at 30 June 2014 has been prepared in accordance with International Financial Reporting Standards (IFRSs) as applicable in the European Union. The condensed interim consolidated financial statements are prepared in accordance with IAS 34, Interim Financial Reporting. We have complied with all new and amended IFRSs and IFRIC interpretations whose application is mandatory for Munich Re for the first time for periods beginning on 1 January 2014. We already applied IAS 36 (rev. 05/2013), Recoverable Amount Disclosures for Non-Financial Assets in advance in the 2013 financial year. 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 2013, with the exception of the changes mentioned below. In accordance with the rules of IFRS 4, underwriting items are recognised and measured on the basis of US GAAP (United States Generally Accepted Accounting Principles) at first-time adoption of IFRS 4 on 1 January 2005.

As of the financial year 2014, application of the following new or amended IFRSs is mandatory for the first time:

IFRS 10 (05/2011), Consolidated Financial Statements, supersedes the provisions of IAS 27 and SIC 12 and creates a uniform definition for control, irrespective of whether this control is based on company law or on contractual or economic circumstances. There are no longer any independent provisions for structured entities (special purpose entities). A situation of control exists when an investor has the ability to direct an investee's relevant activities and is exposed to the returns from those activities. Furthermore, IFRS 10 addresses issues that have not been dealt with until now, including the regulation that a situation of control exists even if an investor holds less than a majority of the voting rights but regularly has a de facto majority of voting rights at the annual general meetings. The changes do not have any major effects on Munich Re's group of consolidated companies. Only one associate is now to be recognised as a fully consolidated company. We have therefore applied the amendments prospectively, as a retrospective application for prior periods did not appear appropriate, also from a cost-benefit point of view. The conversion from the equity method to full consolidation led to a minor result effect of less than €2m and increased the balance sheet total by around €10m in the first quarter.

IFRS 11 (05/2011), Joint Arrangements, defines joint operations and joint ventures and specifies how they are to be recognised in the balance sheet. The changes compared with IAS 31, Interest in Joint Ventures, mainly concern the elimination of the option of proportionate consolidation for joint ventures, the amended definition of joint control, and the extended scope of application of joint operations. These may now include arrangements structured through a separate vehicle. The elimination of the option of proportionate consolidation has no impact on Munich Re, as we do not avail ourselves of this option and already apply the equity method. The two other amendments do not have any material effects on Munich Re.

IFRS 12 (05/2011), Disclosure of Interests in Other Entities, combines the disclosures regarding facts and circumstances governed by IFRS 10, IFRS 11 and IAS 28. The objective of the standard is to provide information on the type and risk of interests in other entities and their implication for the consolidated financial statements. As a consequence, the information provided needs to be more comprehensive than before. In particular, IFRS 12 requires disclosures relating to unconsolidated structured entities, subsidiaries with significant non-controlling interests, discretionary judgments and assumptions in evaluating the nature of interests in other entities, as well as detailed information on each significant joint arrangement and associate. Munich Re is mainly affected by the extended disclosure requirements relating to non-consolidated structured entities and interests in joint arrangements and associates.

IAS 27 (rev. 05/2011), Separate Financial Statements, now deals only with balance sheet recognition of investments in subsidiaries, joint ventures and associates in separate single-entity financial statements in accordance with IFRS, including the relevant disclosures in the notes. The definition of control and balance sheet recognition of subsidiaries in consolidated financial statements is now regulated by IFRS 10. The standard has no effect on Munich Re.

IAS 28 (rev. 05/2011), Investments in Associates and Joint Ventures, specifically includes amendments following from the publication of IFRS 11 and IFRS 12. Among other things, the standard integrates the balance sheet recognition of joint ventures and circumstances previously governed by SIC 13, Jointly Controlled Entities – Non-Monetary Contributions by Venturers. Furthermore, investments in associates or joint ventures held by open-ended investment funds or for unit-linked insurance, for example, are no longer excluded from the scope of application of the standard. Rather, there is now an option to measure these at fair value with impact on profit or loss. The amendments do not have any material effects for Munich Re.

In June 2012, the IASB adopted **IFRS Consolidated Financial Statements, Joint Arrangements, and Disclosure of Interests in Other Entities – Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12) (06/2012)**, which clarifies that the requirement to provide adjusted comparative information on first-time application is limited to the preceding comparative period only. Insofar as first-time application results in a change in the need to consolidate an entity only for the comparative period, no adjusted comparative information for prior periods is necessary. In addition, the requirement to provide information for prior periods is removed for unconsolidated structured entities.

As mandated by the IASB, application of IFRS 10, IFRS 11 and IFRS 12 and the amendments to IAS 27 and IAS 28, including the Transition Guidance for these standards, would be mandatory for financial years beginning on or after 1 January 2013. When the standards were adopted into European law, the mandatory effective date was deferred

by one year, so that the standards concerned have to be applied for the first time by entities domiciled in the European Union for financial years beginning on or after 1 January 2014; voluntary application before that date is permitted. Munich Re has chosen first-time application from 1 January 2014.

IFRS Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) (10/2012) introduces a definition of the term “investment entities” and specifies that such entities are generally excepted from the requirement to consolidate their subsidiaries in future. Instead, they are required to measure them at fair value through profit or loss. The exception from the consolidation requirement does not apply to parents of investment entities that are not themselves investment entities. There are also additional disclosure requirements for investment entities. The amendments are of no relevance for Munich Re.

The amendments to **IAS 32 (rev. 12/2011), Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities**, clarify some issues in relation to the admissibility of offsetting financial assets and financial liabilities. These changes currently have no practical significance for Munich Re.

The amendments in **IAS 39 (rev. 06/2013), Financial Instruments: Novation of Derivatives and Continuation of Hedge Accounting**, determine that the novation to a central counterparty of a derivative that is designated as a hedging instrument will not lead to a discontinuation of hedge accounting where that novation is required by legislation or regulation. The involvement of a central counterparty is not mandatory for existing business transactions. The amendments currently do not have any effects on Munich Re.

IFRIC Interpretation 21 (05/2013), Levies, clarifies the point of recognition of a liability within the scope of IAS 37 for levies imposed by governments, other than income taxes, that do not fall within the scope of application of other IFRSs. As well as determining the point of recognition, the Interpretation clarifies how to interpret the definition of “present obligation” within the meaning of IAS 37 with respect to such levies. This interpretation was adopted into European law on 13 June 2014. IFRIC Interpretation 21, Levies, will be applied by us with effect from 1 January 2015. It has no material effect for Munich Re.

Since the first quarter of 2014, we have adjusted the disclosure of “other provisions” and “miscellaneous liabilities” in order to improve the information content. Liabilities hitherto allocated to “other provisions”, but more certain than provisions in terms of the timing and amount of their payment, are shown under “miscellaneous liabilities” with immediate effect. “Outstanding invoices”, “bonuses”, “holiday and overtime pay” and “miscellaneous” are affected. Pursuant to IAS 8.22, the modifications have been applied retrospectively and the previous year’s figures have been adjusted accordingly. As a result of the modification, “miscellaneous liabilities” have increased by an overall €427m, amounting to €4,548m as at 31 December 2013. “Other provisions” have been reduced by the same amount, totalling €1,602m as at 31 December 2013. The modifications came to a total of €397m as at 31 December 2012. “Miscellaneous liabilities” thus amounted to €4,399m as at 31 December 2012, and “other provisions” to €1,597m.

Changes in the consolidated group

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

With legal effect from 2 January 2014, via its subsidiary Cannock Chase Holding B.V., Amsterdam, Munich Re acquired 100% of the voting shares in Cannock Chase B.V., Leidschendam, 100% of the voting shares in Cannock Chase Incasso B.V., The Hague, 100% of the voting shares in Cannock Connect Center B.V., Brouwershaven, 100% of the voting shares in Mandaat B.V., Druten, 100% of the voting shares in Cannock Chase Purchase B.V., The Hague, and 62.50% of the voting shares in X-Pact B.V., The Hague. The Cannock Chase Group is the market leader in the public-sector client segment of the credit-management services market. The acquisitions are aimed at expanding the market position of DAS Nederlandse Rechtsbijstand Verzekeringmaatschappij N.V., Amsterdam, in the area of credit management. A purchase price of €32m in cash was paid for the acquisition.

Foreign currency translation

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

Currency translation rates

Rate for €1	Balance sheet		Income statement			
	30.6.2014	31.12.2013	Q2 2014	Q1 2014	Q2 2013	Q1 2013
Australian dollar	1.45060	1.54020	1.47064	1.52779	1.31878	1.27085
Canadian dollar	1.45835	1.46405	1.49605	1.51090	1.33657	1.33091
Pound sterling	0.80070	0.83200	0.81486	0.82797	0.85048	0.85064
Rand	14.56610	14.43230	14.45910	14.87360	12.37200	11.81310
Swiss franc	1.21415	1.22550	1.21910	1.22350	1.23101	1.22778
US dollar	1.36915	1.37795	1.37153	1.37039	1.30583	1.32006
Yen	138.7020	144.8300	140.0360	140.8670	128.9230	121.6110
Yuan renminbi	8.49555	8.34200	8.54686	8.36070	8.03652	8.21540

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.

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

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

Segment assets

	Reinsurance			
		Life	Property-casualty	
€m	30.6. 2014	31.12. 2013	30.6. 2014	31.12. 2013
A. Intangible assets	152	159	1,912	1,920
B. Investments				
I. Land and buildings, including buildings on third-party land	254	263	1,211	1,218
II. Investments in affiliated companies, associates and joint ventures	23	19	829	818
Thereof:				
Associates and joint ventures accounted for using the equity method	-	-	726	733
III. Loans	41	34	161	125
IV. Other securities				
1. Held to maturity	-	-	-	-
2. Available for sale	15,088	14,095	52,080	49,252
3. At fair value through profit or loss	655	650	319	1,037
	15,743	14,745	52,399	50,289
V. Deposits retained on assumed reinsurance	7,692	7,847	1,096	1,279
VI. Other investments	402	409	1,344	1,451
	24,155	23,317	57,040	55,180
C. Investments for the benefit of life insurance policyholders who bear the investment risk	-	-	-	-
D. Ceded share of technical provisions	1,134	1,096	1,883	1,932
E. Other segment assets	7,072	6,885	10,921	10,041
Total segment assets	32,513	31,457	71,756	69,073

Segment liabilities

	Reinsurance			
		Life	Property-casualty	
€m	30.6. 2014	31.12. 2013	30.6. 2014	31.12. 2013
A. Subordinated liabilities	1,120	1,138	3,229	3,177
B. Gross technical provisions				
I. Unearned premiums	29	28	5,789	5,587
II. Provision for future policy benefits	13,794	13,633	26	27
III. Provision for outstanding claims	6,378	5,948	38,064	37,847
IV. Other technical provisions	321	396	-47	49
	20,522	20,005	43,832	43,510
C. Gross technical provisions for life insurance policies where the investment risk is borne by the policyholders	-	-	-	-
D. Other accrued liabilities¹	140	160	461	471
E. Other segment liabilities¹	6,171	5,509	11,095	10,241
Total segment liabilities	27,953	26,812	58,617	57,399

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

	Life		Health		Primary insurance Property-casualty		Munich Health		Asset management		Total	
	30.6. 2014	31.12. 2013	30.6. 2014	31.12. 2013	30.6. 2014	31.12. 2013	30.6. 2014	31.12. 2013	30.6. 2014	31.12. 2013	30.6. 2014	31.12. 2013
	933	953	669	672	959	945	10	12	13	11	4,648	4,672
	1,336	1,358	746	755	92	93	9	10	65	65	3,713	3,762
	135	137	182	180	226	212	90	94	49	54	1,534	1,514
	89	92	171	168	162	161	89	93	36	44	1,273	1,291
	34,710	35,185	18,041	17,916	1,844	1,961	24	22	2	2	54,823	55,245
	2	5	-	-	-	-	-	-	-	-	2	5
	38,001	35,574	17,409	16,232	7,412	7,000	3,086	2,983	759	766	133,835	125,902
	1,233	1,039	152	127	21	31	1	3	-	-	2,381	2,887
	39,236	36,618	17,561	16,359	7,433	7,031	3,087	2,986	759	766	136,218	128,794
	91	128	1	1	8	5	330	376	-	-	9,218	9,636
	1,354	901	637	207	465	323	109	80	155	453	4,466	3,824
	76,862	74,327	37,168	35,418	10,068	9,625	3,649	3,568	1,030	1,340	209,972	202,775
	7,301	6,698	-	-	-	-	1	1	-	-	7,302	6,699
	1,647	1,700	9	20	398	386	196	171	-	-	5,267	5,305
	7,406	8,082	3,555	3,674	4,785	4,411	1,731	1,667	119	77	35,589	34,837
	94,149	91,760	41,401	39,784	16,210	15,367	5,587	5,419	1,162	1,428	262,778	254,288

	Life		Health		Primary insurance Property-casualty		Munich Health		Asset management		Total	
	30.6. 2014	31.12. 2013	30.6. 2014	31.12. 2013	30.6. 2014	31.12. 2013	30.6. 2014	31.12. 2013	30.6. 2014	31.12. 2013	30.6. 2014	31.12. 2013
	23	73	-	-	2	2	31	34	-	-	4,405	4,424
	47	30	118	99	2,134	1,766	390	484	-	-	8,507	7,994
	69,269	69,182	27,930	27,175	439	434	1,024	976	-	-	112,482	111,427
	1,776	1,758	880	941	5,819	5,730	936	837	-	-	53,853	53,061
	5,961	4,458	9,233	8,405	135	136	145	75	-	-	15,748	13,519
	77,053	75,428	38,161	36,620	8,527	8,066	2,495	2,372	-	-	190,590	186,001
	7,656	7,042	-	-	-	-	1	1	-	-	7,657	7,043
	262	483	143	267	2,579	2,187	132	136	31	38	3,748	3,742
	6,461	6,492	1,453	1,213	2,222	2,082	1,199	1,165	105	150	28,706	26,852
	91,455	89,518	39,757	38,100	13,330	12,337	3,858	3,708	136	188	235,106	228,062
	Equity										27,672	26,226
	Total equity and liabilities										262,778	254,288

Segment income statement 1.1.-30.6.2014¹

€m	Reinsurance			
	Life		Property-casualty	
	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013
Gross premiums written	4,944	5,563	8,478	8,533
1. Earned premiums				
Gross	4,944	5,562	8,323	8,397
Ceded	212	219	295	331
Net	4,732	5,343	8,028	8,066
2. Income from technical interest	345	357	593	596
3. Expenses for claims and benefits				
Gross	4,103	3,904	5,185	5,183
Ceded share	121	109	91	112
Net	3,982	3,795	5,094	5,071
4. Operating expenses				
Gross	958	1,675	2,499	2,422
Ceded share	70	75	32	34
Net	888	1,600	2,467	2,388
Thereof:				
Amortisation and impairment losses of acquired insurance portfolios	1	1	-	-
5. Technical result (1-4)	207	305	1,060	1,203
6. Investment result				
Investment income	911	934	2,324	2,154
Investment expenses	479	572	1,243	1,490
Total	432	362	1,081	664
Thereof:				
Interest and similar income	356	367	601	702
Interest charges and similar expenses	1	2	4	9
Write-downs of investments	291	343	521	657
Write-ups of investments	269	311	369	431
Income from associates and joint ventures accounted for using the equity method	-	-	27	16
7. Other operating income	57	40	107	100
Thereof:				
Interest and similar income	37	23	7	4
Write-ups of other operating assets	-	1	2	1
8. Other operating expenses	33	33	136	145
Thereof:				
Interest charges and similar expenses	5	11	11	14
Write-downs of other operating assets	1	1	3	3
9. Deduction of income from technical interest	-345	-357	-593	-596
10. Non-technical result (6-9)	111	12	459	23
11. Operating result (5 + 10)	318	317	1,519	1,226
12. Other non-operating result, net finance costs and impairment losses of goodwill	-71	1	-217	-63
13. Taxes on income	12	84	153	202
14. Consolidated result (11-13)	235	234	1,149	961
Thereof:				
Attributable to Munich Reinsurance Company equity holders	235	234	1,149	958
Attributable to non-controlling interests	-	-	-	3

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

	Life		Health		Primary insurance Property-casualty		Munich Health		Asset management		Total	
	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013
	2,748	2,658	2,852	2,868	3,018	3,094	2,740	3,377	-	-	24,780	26,093
	2,731	2,654	2,833	2,854	2,659	2,684	2,839	3,374	-	-	24,329	25,525
	36	52	7	24	98	83	81	115	-	-	729	824
	2,695	2,602	2,826	2,830	2,561	2,601	2,758	3,259	-	-	23,600	24,701
	1,985	1,485	760	746	102	105	19	20	-	-	3,804	3,309
	4,167	3,520	3,044	3,062	1,620	1,689	2,332	2,686	-	-	20,451	20,044
	16	42	6	11	38	58	53	67	-	-	325	399
	4,151	3,478	3,038	3,051	1,582	1,631	2,279	2,619	-	-	20,126	19,645
	575	656	346	350	895	895	485	639	-	-	5,758	6,637
	4	11	1	10	9	4	25	24	-	-	141	158
	571	645	345	340	886	891	460	615	-	-	5,617	6,479
	14	55	2	2	-	-	-	-	-	-	17	58
	-42	-36	203	185	195	184	38	45	-	-	1,661	1,886
	2,497	2,093	910	884	287	301	47	92	13	8	6,989	6,466
	339	556	189	188	96	82	4	5	2	10	2,352	2,903
	2,158	1,537	721	696	191	219	43	87	11	-2	4,637	3,563
	1,294	1,352	649	636	116	126	39	41	2	1	3,057	3,225
	1	1	1	2	-	-	-	-	-	-	7	14
	112	217	46	58	41	34	-	1	1	10	1,012	1,320
	345	73	36	36	19	14	-	10	3	-	1,041	875
	1	2	7	5	2	6	-5	2	4	-7	36	24
	41	64	10	19	90	76	27	29	27	25	359	353
	4	7	1	1	1	2	3	3	2	1	55	41
	2	22	-	-	4	3	1	1	-	-	9	28
	33	46	24	25	136	109	29	41	10	18	401	417
	3	3	8	6	27	27	5	10	-	3	59	74
	3	5	1	1	7	8	1	1	3	-	19	19
	-1,985	-1,485	-760	-746	-102	-105	-19	-20	-	-	-3,804	-3,309
	181	70	-53	-56	43	81	22	55	28	5	791	190
	139	34	150	129	238	265	60	100	28	5	2,452	2,076
	-2	20	-31	-28	-125	-98	-3	-3	-4	-3	-453	-174
	55	-10	40	38	16	28	15	29	15	19	306	390
	82	64	79	63	97	139	42	68	9	-17	1,693	1,512
	82	64	79	63	91	123	39	66	9	-17	1,684	1,491
	-	-	-	-	6	16	3	2	-	-	9	21

Segment income statement 1.4.–30.6.2014¹

€m	Reinsurance			
	Life		Property-casualty	
	Q2 2014	Q2 2013	Q2 2014	Q2 2013
Gross premiums written	2,467	2,994	4,097	4,135
1. Earned premiums				
Gross	2,470	2,998	4,142	4,167
Ceded	100	118	145	177
Net	2,370	2,880	3,997	3,990
2. Income from technical interest	178	183	298	298
3. Expenses for claims and benefits				
Gross	1,934	2,017	2,868	2,834
Ceded share	63	60	69	73
Net	1,871	1,957	2,799	2,761
4. Operating expenses				
Gross	608	1,055	1,275	1,232
Ceded share	34	45	17	26
Net	574	1,010	1,258	1,206
Thereof:				
Amortisation and impairment losses of acquired insurance portfolios	-	1	-	-
5. Technical result (1-4)	103	96	238	321
6. Investment result				
Investment income	497	482	1,299	1,315
Investment expenses	238	304	585	988
Total	259	178	714	327
Thereof:				
Interest and similar income	187	183	308	350
Interest charges and similar expenses	-	1	2	5
Write-downs of investments	129	176	170	468
Write-ups of investments	142	139	196	295
Income from associates and joint ventures accounted for using the equity method	-	-	20	20
7. Other operating income	28	20	58	51
Thereof:				
Interest and similar income	18	11	4	-
Write-ups of other operating assets	-	1	2	1
8. Other operating expenses	16	16	62	73
Thereof:				
Interest charges and similar expenses	3	6	5	7
Write-downs of other operating assets	1	1	2	-2
9. Deduction of income from technical interest	-178	-183	-298	-298
10. Non-technical result (6-9)	93	-1	412	7
11. Operating result (5 + 10)	196	95	650	328
12. Other non-operating result, net finance costs and impairment losses of goodwill	-52	-27	-150	-143
13. Taxes on income	12	7	-2	-121
14. Consolidated result (11-13)	132	61	502	306
Thereof:				
Attributable to Munich Reinsurance Company equity holders	132	61	502	306
Attributable to non-controlling interests	-	-	-	-

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

	Primary insurance						Munich Health		Asset management		Total	
	Life		Health		Property-casualty							
	Q2 2014	Q2 2013	Q2 2014	Q2 2013	Q2 2014	Q2 2013	Q2 2014	Q2 2013	Q2 2014	Q2 2013	Q2 2014	Q2 2013
	1,393	1,301	1,421	1,436	1,239	1,240	1,239	1,703	-	-	11,856	12,809
	1,382	1,299	1,432	1,449	1,350	1,346	1,280	1,766	-	-	12,056	13,025
	17	26	3	12	49	29	37	58	-	-	351	420
	1,365	1,273	1,429	1,437	1,301	1,317	1,243	1,708	-	-	11,705	12,605
	984	552	360	372	52	53	10	10	-	-	1,882	1,468
	2,125	1,597	1,539	1,560	830	878	1,036	1,410	-	-	10,332	10,296
	13	19	1	5	20	42	31	32	-	-	197	231
	2,112	1,578	1,538	1,555	810	836	1,005	1,378	-	-	10,135	10,065
	312	256	175	175	459	450	235	318	-	-	3,064	3,486
	2	7	2	5	10	5	11	10	-	-	76	98
	310	249	173	170	449	445	224	308	-	-	2,988	3,388
	7	11	1	1	-	-	-	-	-	-	8	13
	-73	-2	78	84	94	89	24	32	-	-	464	620
	1,256	917	506	508	145	161	25	35	8	5	3,736	3,423
	160	380	129	141	54	52	2	2	1	-	1,169	1,867
	1,096	537	377	367	91	109	23	33	7	5	2,567	1,556
	648	680	328	323	58	63	19	20	1	-	1,549	1,619
	1	-	-	1	-	-	-	-	-	-	3	7
	47	154	19	35	23	23	-	-	1	-	389	856
	177	39	18	24	9	7	-	10	3	-	545	514
	-	1	5	3	2	4	1	2	3	3	31	33
	21	46	3	8	43	44	14	16	15	13	182	198
	3	6	1	1	-	1	2	1	2	1	30	21
	1	22	-	-	1	-	1	1	-	-	5	25
	10	21	14	9	65	52	16	19	3	10	186	200
	1	2	5	3	14	14	2	4	-	2	30	38
	1	3	-	-	4	3	1	-	-	-	9	5
	-984	-552	-360	-372	-52	-53	-10	-10	-	-	-1,882	-1,468
	123	10	6	-6	17	48	11	20	19	8	681	86
	50	8	84	78	111	137	35	52	19	8	1,145	706
	-	24	-15	-17	-61	-48	-3	-3	-2	-2	-283	-216
	12	-9	23	23	30	19	10	18	8	11	93	-52
	38	41	46	38	20	70	22	31	9	-5	769	542
	38	41	46	38	17	56	21	31	9	-5	765	528
	-	-	-	-	3	14	1	-	-	-	4	14

Non-current assets by country¹

€m	30.6.2014	31.12.2013
Germany	7,779	7,798
USA	1,811	1,798
UK	506	511
Austria	340	358
Sweden	275	287
Italy	229	234
Netherlands	174	156
Poland	166	182
France	153	154
Spain	129	123
Switzerland	92	92
Portugal	59	61
Others	253	237
Total	11,966	11,991

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

Investments in non-current assets per segment¹

€m	Q1-2 2014	Q1-2 2013
Reinsurance life	18	12
Reinsurance property-casualty	81	27
Primary insurance life	14	6
Primary insurance health	3	2
Primary insurance property-casualty	99	86
Munich Health	18	30
Asset management	15	3
Total	248	166

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

Gross premiums written

€m	Reinsurance		Primary insurance		Munich Health		Total	
	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013
Europe	4,168	4,210	8,613	8,610	969	962	13,750	13,782
North America	5,915	6,668	3	2	1,517	2,148	7,435	8,818
Asia and Australasia	2,339	2,106	1	5	68	89	2,408	2,200
Africa, Near and Middle East	338	365	-	1	188	160	526	526
Latin America	662	747	1	2	-2	18	661	767
Total	13,422	14,096	8,618	8,620	2,740	3,377	24,780	26,093

Gross premiums written

€m	Reinsurance		Primary insurance		Munich Health		Total	
	Q2 2014	Q2 2013	Q2 2014	Q2 2013	Q2 2014	Q2 2013	Q2 2014	Q2 2013
Europe	2,064	1,975	4,049	3,972	422	472	6,535	6,419
North America	2,969	3,552	2	1	697	1,099	3,668	4,652
Asia and Australasia	1,080	1,075	1	2	36	41	1,117	1,118
Africa, Near and Middle East	159	169	-	1	90	79	249	249
Latin America	292	358	1	1	-6	12	287	371
Total	6,564	7,129	4,053	3,977	1,239	1,703	11,856	12,809

Notes to the consolidated balance sheet

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

Intangible assets

Development of goodwill

Goodwill from the acquisition of €m	Reinsurance				Primary insurance	
	Munich Re America		Other		ERGO Insurance Group	
	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013
Gross carrying amount at 31 Dec. previous year	1,001	1,046	440	454	1,754	1,754
Accumulated impairment losses at 31 Dec. previous year	-	-	51	51	-	-
Carrying amount at 31 Dec. previous year	1,001	1,046	389	403	1,754	1,754
Currency translation differences	7	15	3	4	-	-
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-
Carrying amount at 30 June financial year	1,008	1,061	392	407	1,754	1,754
Accumulated impairment losses at 30 June financial year	-	-	51	46	-	-
Gross carrying amount at 30 June financial year	1,008	1,061	443	453	1,754	1,754

Goodwill from the acquisition of €m	Primary insurance		Munich Health		Total	
	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013
Gross carrying amount at 31 Dec. previous year	557	554	156	156	3,908	3,964
Accumulated impairment losses at 31 Dec. previous year	409	381	156	156	616	588
Carrying amount at 31 Dec. previous year	148	173	-	-	3,292	3,376
Currency translation differences	-	-	-	-	10	19
Additions	5	3	-	-	5	3
Disposals	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-
Carrying amount at 30 June financial year	153	176	-	-	3,307	3,398
Accumulated impairment losses at 30 June financial year	409	381	156	156	616	583
Gross carrying amount at 30 June financial year	562	557	156	156	3,923	3,981

Breakdown of other intangible assets

€m	30.6.2014	31.12.2013
Acquired insurance portfolios	364	385
Software		
Self-developed	92	102
Other	261	259
Acquired brand names	33	31
Acquired distribution networks/client bases	296	296
Acquired licences/patents	252	253
Other		
Self-developed	-	-
Other	43	54
Total	1,341	1,380

Investments

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

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

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

Valuation models

Bonds	Pricing method	Parameters	Pricing model
Interest-rate risks			
Loans against borrower's note/ registered bonds	Theoretical price	Sector-, rating- or issuer-specific yield curve	Present-value method
Cat bond (host)	Theoretical price	Interest-rate curve	Present-value method
Mortgage loans	Theoretical price	Sector-specific yield curve	Present-value method
Derivatives			
Equity and index risks			
OTC stock options	Theoretical price	Listing of underlying shares Effective volatilities Money-market interest rate Dividend yield	Black-Scholes (European) Cox, Ross and Rubinstein (American) Monte-Carlo simulation
Equity forwards	Theoretical price	Listing of underlying shares Money-market interest rate Dividend yield	Present-value method
Interest-rate risks			
Interest-rate swaps	Theoretical price	Swap curve Money-market interest-rate curve	Present-value method
Swaptions/interest-rate guarantee	Theoretical price	At-the-money volatility index and skew swap curve Money-market interest-rate curve	Black-76
Interest-rate currency swaps	Theoretical price	Swap curve Money-market interest-rate curve Currency spot rates	Present-value method
Inflation swaps	Theoretical price	Zero-coupon inflation swap rates Swap curve Money-market interest-rate curve	Present-value method
Currency risks			
Currency options	Theoretical price	At-the-money volatility Currency spot rates Money-market interest-rate curve	Garman-Kohlhagen (European)
Currency forwards	Theoretical price	Currency spot rates Money-market interest-rate curve	Present-value method
Other transactions			
Insurance-linked derivatives (excluding variable annuities)	Theoretical price	Market values of cat bonds Historical event data Interest-rate curve	Present-value method
Insurance-linked derivatives (variable annuities)	Theoretical price	Biometric and lapse rates Volatilities Interest-rate curve Currency spot rates	Present-value method
Credit default swaps	Theoretical price	Credit spreads Recovery rates Interest-rate curve	Present-value method ISDA CDS Standard Model
Total return swaps on commodities	Theoretical price	Listing of underlying index	Index ratio calculation
Commodity options	Theoretical price	Listing of underlying shares Effective volatilities Money-market interest rate	Black-Scholes (European) Cox, Ross and Rubinstein (American)

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

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

At Munich Re, the valuation of variable annuities is performed on a fully market-consistent basis. The parameters requiring consideration in this valuation are biometric and lapse rates, volatilities, interest-rate curves and currency spot rates. The lapse rates used are modelled dynamically and range between 0.5% and 20%, depending on the specific insurance product and current situation of the capital markets. The assumptions with regard to mortality are based on published mortality tables, which are adjusted with a view to the target markets and the actuaries' expectations. The dependency between different capital market parameters is modelled by correlation matrices. Since parameters not observable on the market were also used in valuation, we allocate these products to Level 3 of the fair value hierarchy.

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

At 30 June 2014, around 10% of the investments measured at fair value were allocated to Level 1 of the fair value hierarchy, 87% to Level 2 and 3% to Level 3.

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

€m				30.6.2014
	Level 1	Level 2	Level 3	Total
Investments in affiliated companies measured at fair value	-	-	252	252
Investments in associates and joint ventures measured at fair value	-	-	9	9
Other securities available for sale				
Fixed-interest	361	119,071	2,492	121,924
Non-fixed-interest	8,412	1,309	2,190	11,911
Other securities at fair value through profit or loss				
Held for trading, and hedging derivatives ¹	193	2,085	89	2,367
Designated as at fair value through profit or loss	-	236	-	236
Other investments	-	24	-	24
Investments for the benefit of life insurance policyholders who bear the investment risk	4,911	2,391	-	7,302
Total	13,877	125,116	5,032	144,025

→	31.12.2013			
€m	Level 1	Level 2	Level 3	Total
Investments in affiliated companies measured at fair value	38	-	176	214
Investments in associates and joint ventures measured at fair value	-	-	9	9
Other securities available for sale				
Fixed-interest	769	110,125	2,777	113,671
Non-fixed-interest	8,092	2,032	2,107	12,231
Other securities at fair value through profit or loss				
Held for trading, and hedging derivatives ¹	783	2,092	77	2,952
Designated as at fair value through profit or loss	-	164	-	164
Other investments	-	31	-	31
Investments for the benefit of life insurance policyholders who bear the investment risk	6,135	564	-	6,699
Total	15,817	115,008	5,146	135,971

1 Included are hedging derivatives of €222m (229m) accounted for under "other assets".

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

The only investments held for trading that are allocated to Level 3 are derivatives.

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

Reconciliation for investments allocated to Level 3

	Investments in affiliated companies measured at fair value		Investments in associates and joint ventures measured at fair value	
€m	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013
Carrying amount at 31 Dec. previous year	176	194	9	16
Gains and losses	7	-8	-	-
Gains (losses) recognised in the income statement	-	-2	-	-
Gains (losses) recognised in equity	7	-6	-	-
Acquisitions	44	2	-	-
Disposals	13	1	-	-
Transfer to Level 3	38	-	-	-
Transfer out of Level 3	-	-	-	-
Changes in the market value of derivatives	-	-	-	-
Carrying amount at 30 June financial year	252	187	9	16
Gains (losses) recognised in the income statement that are attributable to investments shown at 30 June of the financial year	-1	-2	-	-



Other securities available for sale				
€m	Fixed-interest		Non-fixed-interest	
	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013
Carrying amount at 31 Dec. previous year	2,777	2,118	2,107	1,978
Gains and losses	33	-8	34	-2
Gains (losses) recognised in the income statement	8	4	-	-3
Gains (losses) recognised in equity	25	-12	34	1
Acquisitions	457	1,255	217	121
Disposals	774	1,086	170	71
Transfer to Level 3	3	542	2	-
Transfer out of Level 3	4	95	-	1
Changes in the market value of derivatives	-	-1	-	-1
Carrying amount at 30 June financial year	2,492	2,725	2,190	2,024
Gains (losses) recognised in the income statement that are attributable to investments shown at 30 June of the financial year	12	-	-	-3



Other securities at fair value through profit or loss						Total
€m	Held for trading, and hedging derivatives		Designated as at fair value through profit or loss			
	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013
Carrying amount at 31 Dec. previous year	77	33	-	-	5,146	4,339
Gains and losses	55	2	-	-	129	-16
Gains (losses) recognised in the income statement	54	2	-	-	62	1
Gains (losses) recognised in equity	1	-	-	-	67	-17
Acquisitions	27	34	-	-	745	1,412
Disposals	71	23	-	-	1,028	1,181
Transfer to Level 3	-	-	-	-	43	542
Transfer out of Level 3	-	-	-	-	4	96
Change in the market value of derivatives	1	-	-	-	1	-2
Carrying amount at 30 June financial year	89	46	-	-	5,032	4,998
Gains (losses) recognised in the income statement that are attributable to investments shown at 30 June of the financial year	17	2	-	-	28	-3

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

Equity

Number of shares in circulation and number of own shares held

	30.6.2014	31.12.2013
Number of shares in circulation	172,091,450	177,421,900
Number of own shares held	851,168	1,919,312
Total	172,942,618	179,341,212

Non-controlling interests

€m	30.6.2014	31.12.2013
Unrealised gains and losses	12	8
Consolidated result	9	29
Other equity	229	206
Total	250	243

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

Subordinated liabilities

Breakdown of subordinated liabilities

€m	Identifica- tion number	A.M. Best	Fitch	Moody's	S&P	30.6.2014	Prev. year
Munich Reinsurance Company, Munich, 6.25% until 2022, thereafter floating, €900m, Bonds 2012/2042	WKN: A1ML16 ISIN: XS0764278528 Reuters: DE076427852= Bloomberg: MUNRE	a	A	-	A	894	893
Munich Reinsurance Company, Munich, 6.625% until 2022, thereafter floating, £450m, Bonds 2012/2042	WKN: A1ML15 ISIN: XS0764278288 Reuters: DE076427828= Bloomberg: MUNRE	a+	A	-	A	560	539
Munich Reinsurance Company, Munich, 6.00% until 2021, thereafter floating, €1,000m, Bonds 2011/2041	WKN: A1KQYJ ISIN: XS0608392550 Reuters: DE060839255= Bloomberg: MUNRE	a	A	-	A	990	990
Munich Reinsurance Company, Munich, 5.767% until 2017, thereafter floating, €1,349m, Bonds 2007/perpetual	WKN: A0N4EX ISIN: XS0304987042 Reuters: DE030498704= Bloomberg: MUNRE	a	A	A3 (hyb)	A	1,525	1,531
Munich Reinsurance Company, Munich, 7.625% until 2018, thereafter floating, £300m, Bonds 2003/2028	WKN: 843449 ISIN: XS0167260529 Reuters: DE016726052= Bloomberg: MUNRE	a+	A	A2 (hyb)	A	373	359
ERGO Versicherung Aktiengesellschaft, Vienna, 4.95%, €50m ¹ , Registered bonds 2004/2014		-	-	-	-	-	50
ERGO Versicherung Aktiengesellschaft, Vienna, secondary market yield on federal government bonds (Austria) +70 BP, €12m ² , Registered bonds 2001/perpetual		-	-	-	-	12	12
ERGO Versicherung Aktiengesellschaft, Vienna, secondary market yield on federal government bonds (Austria) +70 BP, €13m ³ , Registered bonds 1998/perpetual		-	-	-	-	13	13
HSB Group Inc., Delaware, LIBOR +91 BP, US\$ 76m, Bonds 1997/2027		-	-	-	-	38	37
Total						4,405	4,424

1 In the first quarter 2014, the issuer redeemed bonds with a nominal value of €50m.

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.

The fair value of the subordinated liabilities at the balance sheet date amounted to €4,915m (4,828m). For the Munich Reinsurance Company bonds, we take the stock market prices as fair values. For the other subordinated liabilities, we determine the fair values using net present value methods with observable market parameters.

Liabilities

Breakdown of bonds and notes issued

€m	Identification number	A.M. Best	Fitch	Moody's	S&P	30.6.2014	31.12.2013
Munich Re America Corporation, Wilmington, 7.45%, US\$ 342m, Senior Notes 1996/2026	CUSIP No.: 029163AD4 ISIN, Reuters: - Bloomberg: AMER RE CORP MUNRE	a-	A+	A2	A-	249	248
Total						249	248

We use the prices provided by price quoters to determine the fair value of the notes issued. The fair value at the reporting date amounts to €320m (309m).

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

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

€m	Level 1	Level 2	Level 3	30.6.2014 Total	Level 1	Level 2	Level 3	31.12.2013 Total
Other liabilities								
Derivatives	38	784	151	973	127	681	147	955

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

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

Reconciliation for liabilities allocated to Level 3

€m	Other liabilities at fair value through profit or loss	
	Q1-2 2014	Q1-2 2013
Carrying amount at 31 Dec. previous year	147	191
Gains and losses	-67	30
Gains (losses) recognised in the income statement	-66	29
Gains (losses) recognised in equity	-1	1
Acquisitions	85	2
Disposals	150	5
Transfer to Level 3	1	-
Transfer out of Level 3	-	-
Change in the market value of derivatives	1	-
Carrying amount at 30 June financial year	151	158
Gains (losses) recognised in the income statement that are attributable to investments shown at 30 June of the financial year	-5	29

Notes to the consolidated income statement

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

Premiums

	Reinsurance			
	Life		Property-casualty	
€m	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013
Gross premiums written	4,944	5,563	8,478	8,533
Change in unearned premiums – Gross	-	1	155	136
Gross earned premiums	4,944	5,562	8,323	8,397
Ceded premiums written	212	219	357	426
Change in unearned premiums – Ceded share	-	-	62	95
Earned premiums ceded	212	219	295	331
Net earned premiums	4,732	5,343	8,028	8,066

	Primary insurance					
	Life		Health		Property-casualty	
€m	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013
Gross premiums written	2,748	2,658	2,852	2,868	3,018	3,094
Change in unearned premiums – Gross	17	4	19	14	359	410
Gross earned premiums	2,731	2,654	2,833	2,854	2,659	2,684
Ceded premiums written	36	52	-	24	111	109
Change in unearned premiums – Ceded share	-	-	-7	-	13	26
Earned premiums ceded	36	52	7	24	98	83
Net earned premiums	2,695	2,602	2,826	2,830	2,561	2,601

	Munich Health		Total	
	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013
€m				
Gross premiums written	2,740	3,377	24,780	26,093
Change in unearned premiums – Gross	-99	3	451	568
Gross earned premiums	2,839	3,374	24,329	25,525
Ceded premiums written	77	100	793	930
Change in unearned premiums – Ceded share	-4	-15	64	106
Earned premiums ceded	81	115	729	824
Net earned premiums	2,758	3,259	23,600	24,701

Premiums

€m	Reinsurance			
	Life		Property-casualty	
	Q2 2014	Q2 2013	Q2 2014	Q2 2013
Gross premiums written	2,467	2,994	4,097	4,135
Change in unearned premiums - Gross	-3	-4	-45	-32
Gross earned premiums	2,470	2,998	4,142	4,167
Ceded premiums written	100	118	109	142
Change in unearned premiums - Ceded share	-	-	-36	-35
Earned premiums ceded	100	118	145	177
Net earned premiums	2,370	2,880	3,997	3,990

→ €m	Primary insurance					
	Life		Health		Property-casualty	
	Q2 2014	Q2 2013	Q2 2014	Q2 2013	Q2 2014	Q2 2013
Gross premiums written	1,393	1,301	1,421	1,436	1,239	1,240
Change in unearned premiums - Gross	11	2	-11	-13	-111	-106
Gross earned premiums	1,382	1,299	1,432	1,449	1,350	1,346
Ceded premiums written	17	26	3	10	48	48
Change in unearned premiums - Ceded share	-	-	-	-2	-1	19
Earned premiums ceded	17	26	3	12	49	29
Net earned premiums	1,365	1,273	1,429	1,437	1,301	1,317

→ €m	Munich Health		Total	
	Q2 2014	Q2 2013	Q2 2014	Q2 2013
	Q2 2014	Q2 2013	Q2 2014	Q2 2013
Gross premiums written	1,239	1,703	11,856	12,809
Change in unearned premiums - Gross	-41	-63	-200	-216
Gross earned premiums	1,280	1,766	12,056	13,025
Ceded premiums written	37	55	314	399
Change in unearned premiums - Ceded share	-	-3	-37	-21
Earned premiums ceded	37	58	351	420
Net earned premiums	1,243	1,708	11,705	12,605

Income from technical interest

€m	Reinsurance			
	Life		Property-casualty	
	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013
Income from technical interest	345	357	593	596



€m	Primary insurance					
	Life		Health		Property-casualty	
	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013
Income from technical interest	1,985	1,485	760	746	102	105



€m	Munich Health		Total	
	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013
	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013
Income from technical interest	19	20	3,804	3,309

Income from technical interest

€m	Reinsurance			
	Life		Property-casualty	
	Q2 2014	Q2 2013	Q2 2014	Q2 2013
Income from technical interest	178	183	298	298



€m	Primary insurance					
	Life		Health		Property-casualty	
	Q2 2014	Q2 2013	Q2 2014	Q2 2013	Q2 2014	Q2 2013
Income from technical interest	984	552	360	372	52	53



€m	Munich Health		Total	
	Q2 2014	Q2 2013	Q2 2014	Q2 2013
	Q2 2014	Q2 2013	Q2 2014	Q2 2013
Income from technical interest	10	10	1,882	1,468

Expenses for claims and benefits

€m	Reinsurance			
	Life		Property-casualty	
	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013
Gross				
Claims and benefits paid	3,674	3,963	5,390	5,107
Changes in technical provisions				
Provision for future policy benefits	91	-249	-1	-2
Provision for outstanding claims	338	179	-210	75
Provision for premium refunds	-	-	3	2
Other technical result	-	11	3	1
Gross expenses for claims and benefits	4,103	3,904	5,185	5,183
Ceded share				
Claims and benefits paid	206	214	181	225
Changes in technical provisions				
Provision for future policy benefits	-37	-43	-	-
Provision for outstanding claims	-28	-47	-90	-112
Provision for premium refunds	-	-	-	-
Other technical result	-20	-15	-	-1
Expenses for claims and benefits - Ceded share	121	109	91	112
Net				
Claims and benefits paid	3,468	3,749	5,209	4,882
Changes in technical provisions				
Provision for future policy benefits	128	-206	-1	-2
Provision for outstanding claims	366	226	-120	187
Provision for premium refunds	-	-	3	2
Other technical result	20	26	3	2
Net expenses for claims and benefits	3,982	3,795	5,094	5,071

→	Primary insurance					
	Life		Health		Property-casualty	
€m	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013
Gross						
Claims and benefits paid	3,099	2,994	2,031	2,074	1,527	1,546
Changes in technical provisions						
Provision for future policy benefits	393	22	558	504	3	7
Provision for outstanding claims	18	16	-60	-45	73	123
Provision for premium refunds	579	416	508	532	12	10
Other technical result	78	72	7	-3	5	3
Gross expenses for claims and benefits	4,167	3,520	3,044	3,062	1,620	1,689
Ceded share						
Claims and benefits paid	99	79	10	10	40	39
Changes in technical provisions						
Provision for future policy benefits	-41	-3	-	-	-	-
Provision for outstanding claims	-10	-	-4	1	-1	24
Provision for premium refunds	-	-	-	-	-1	-
Other technical result	-32	-34	-	-	-	-5
Expenses for claims and benefits - Ceded share	16	42	6	11	38	58
Net						
Claims and benefits paid	3,000	2,915	2,021	2,064	1,487	1,507
Changes in technical provisions						
Provision for future policy benefits	434	25	558	504	3	7
Provision for outstanding claims	28	16	-56	-46	74	99
Provision for premium refunds	579	416	508	532	13	10
Other technical result	110	106	7	-3	5	8
Net expenses for claims and benefits	4,151	3,478	3,038	3,051	1,582	1,631

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→	Munich Health		Total	
€m	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013
Gross				
Claims and benefits paid	2,192	2,758	17,913	18,442
Changes in technical provisions				
Provision for future policy benefits	49	37	1,093	319
Provision for outstanding claims	91	-72	250	276
Provision for premium refunds	-	-	1,102	960
Other technical result	-	-37	93	47
Gross expenses for claims and benefits	2,332	2,686	20,451	20,044
Ceded share				
Claims and benefits paid	30	70	566	637
Changes in technical provisions				
Provision for future policy benefits	-	-	-78	-46
Provision for outstanding claims	23	-3	-110	-137
Provision for premium refunds	-	-	-1	-
Other technical result	-	-	-52	-55
Expenses for claims and benefits - Ceded share	53	67	325	399
Net				
Claims and benefits paid	2,162	2,688	17,347	17,805
Changes in technical provisions				
Provision for future policy benefits	49	37	1,171	365
Provision for outstanding claims	68	-69	360	413
Provision for premium refunds	-	-	1,103	960
Other technical result	-	-37	145	102
Net expenses for claims and benefits	2,279	2,619	20,126	19,645

Expenses for claims and benefits

€m	Reinsurance			
	Life		Property-casualty	
	Q2 2014	Q2 2013	Q2 2014	Q2 2013
Gross				
Claims and benefits paid	1,666	2,042	2,747	2,644
Changes in technical provisions				
Provision for future policy benefits	82	-159	-	-2
Provision for outstanding claims	186	128	115	190
Provision for premium refunds	-	-	3	1
Other technical result	-	6	3	1
Gross expenses for claims and benefits	1,934	2,017	2,868	2,834
Ceded share				
Claims and benefits paid	113	57	95	91
Changes in technical provisions				
Provision for future policy benefits	-23	-18	-	-
Provision for outstanding claims	-21	30	-26	-17
Provision for premium refunds	-	-	-	-
Other technical result	-6	-9	-	-1
Expenses for claims and benefits - Ceded share	63	60	69	73
Net				
Claims and benefits paid	1,553	1,985	2,652	2,553
Changes in technical provisions				
Provision for future policy benefits	105	-141	-	-2
Provision for outstanding claims	207	98	141	207
Provision for premium refunds	-	-	3	1
Other technical result	6	15	3	2
Net expenses for claims and benefits	1,871	1,957	2,799	2,761

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→	Primary insurance					
	Life		Health		Property-casualty	
€m	Q2 2014	Q2 2013	Q2 2014	Q2 2013	Q2 2014	Q2 2013
Gross						
Claims and benefits paid	1,559	1,485	923	1,001	727	733
Changes in technical provisions						
Provision for future policy benefits	221	-208	301	232	1	3
Provision for outstanding claims	50	27	73	34	94	135
Provision for premium refunds	266	259	235	294	6	5
Other technical result	29	34	7	-1	2	2
Gross expenses for claims and benefits	2,125	1,597	1,539	1,560	830	878
Ceded share						
Claims and benefits paid	48	43	3	5	23	21
Changes in technical provisions						
Provision for future policy benefits	-18	-8	-	-	-	-
Provision for outstanding claims	-1	1	-2	-	-4	27
Provision for premium refunds	-	-	-	-	-	-
Other technical result	-16	-17	-	-	1	-6
Expenses for claims and benefits - Ceded share	13	19	1	5	20	42
Net						
Claims and benefits paid	1,511	1,442	920	996	704	712
Changes in technical provisions						
Provision for future policy benefits	239	-200	301	232	1	3
Provision for outstanding claims	51	26	75	34	98	108
Provision for premium refunds	266	259	235	294	6	5
Other technical result	45	51	7	-1	1	8
Net expenses for claims and benefits	2,112	1,578	1,538	1,555	810	836

→	Munich Health		Total	
€m	Q2 2014	Q2 2013	Q2 2014	Q2 2013
Gross				
Claims and benefits paid	965	1,428	8,587	9,333
Changes in technical provisions				
Provision for future policy benefits	24	16	629	-118
Provision for outstanding claims	47	-24	565	490
Provision for premium refunds	-	-	510	559
Other technical result	-	-10	41	32
Gross expenses for claims and benefits	1,036	1,410	10,332	10,296
Ceded share				
Claims and benefits paid	18	36	300	253
Changes in technical provisions				
Provision for future policy benefits	-	-	-41	-26
Provision for outstanding claims	13	-4	-41	37
Provision for premium refunds	-	-	-	-
Other technical result	-	-	-21	-33
Expenses for claims and benefits - Ceded share	31	32	197	231
Net				
Claims and benefits paid	947	1,392	8,287	9,080
Changes in technical provisions				
Provision for future policy benefits	24	16	670	-92
Provision for outstanding claims	34	-20	606	453
Provision for premium refunds	-	-	510	559
Other technical result	-	-10	62	65
Net expenses for claims and benefits	1,005	1,378	10,135	10,065

Operating expenses¹

€m	Reinsurance			
	Life		Property-casualty	
	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013
Acquisition costs, profit commission and reinsurance commission paid	874	1,861	1,999	1,905
Administrative expenses	144	137	603	582
Change in deferred acquisition costs and contingent commissions, amortisation and impairment losses of acquired insurance portfolios	-60	-323	-103	-65
Gross operating expenses	958	1,675	2,499	2,422
Ceded share of acquisition costs, profit commission and reinsurance commission paid	70	78	31	35
Ceded share of change in deferred acquisition costs and contingent commissions	-	-3	1	-1
Operating expenses - Ceded share	70	75	32	34
Net operating expenses	888	1,600	2,467	2,388

→ €m	Life		Health		Primary insurance Property-casualty	
	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013
	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013
Acquisition costs, profit commission and reinsurance commission paid	372	358	258	272	578	569
Administrative expenses	122	120	91	77	350	361
Change in deferred acquisition costs and contingent commissions, amortisation and impairment losses of acquired insurance portfolios	81	178	-3	1	-33	-35
Gross operating expenses	575	656	346	350	895	895
Ceded share of acquisition costs, profit commission and reinsurance commission paid	4	12	-	10	12	5
Ceded share of change in deferred acquisition costs and contingent commissions	-	-1	1	-	-3	-1
Operating expenses - Ceded share	4	11	1	10	9	4
Net operating expenses	571	645	345	340	886	891

→	Munich Health		Total	
€m	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013
Acquisition costs, profit commission and reinsurance commission paid	367	542	4,448	5,507
Administrative expenses	50	87	1,360	1,364
Change in deferred acquisition costs and contingent commissions, amortisation and impairment losses of acquired insurance portfolios	68	10	-50	-234
Gross operating expenses	485	639	5,758	6,637
Ceded share of acquisition costs, profit commission and reinsurance commission paid	24	24	141	164
Ceded share of change in deferred acquisition costs and contingent commissions	1	-	-	-6
Operating expenses - Ceded share	25	24	141	158
Net operating expenses	460	615	5,617	6,479

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

Operating expenses¹

	Life		Reinsurance Property-casualty	
€m	Q2 2014	Q2 2013	Q2 2014	Q2 2013
Acquisition costs, profit commission and reinsurance commission paid	606	1,332	1,014	983
Administrative expenses	75	69	314	275
Change in deferred acquisition costs and contingent commissions, amortisation and impairment losses of acquired insurance portfolios	-73	-346	-53	-26
Gross operating expenses	608	1,055	1,275	1,232
Ceded share of acquisition costs, profit commission and reinsurance commission paid	34	45	14	24
Ceded share of change in deferred acquisition costs and contingent commissions	-	-	3	2
Operating expenses - Ceded share	34	45	17	26
Net operating expenses	574	1,010	1,258	1,206

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→	Primary insurance					
	Life		Health		Property-casualty	
€m	Q2 2014	Q2 2013	Q2 2014	Q2 2013	Q2 2014	Q2 2013
Acquisition costs, profit commission and reinsurance commission paid	202	172	128	131	294	274
Administrative expenses	62	62	43	34	169	173
Change in deferred acquisition costs and contingent commissions, amortisation and impairment losses of acquired insurance portfolios	48	22	4	10	-4	3
Gross operating expenses	312	256	175	175	459	450
Ceded share of acquisition costs, profit commission and reinsurance commission paid	2	6	1	5	11	5
Ceded share of change in deferred acquisition costs and contingent commissions	-	1	1	-	-1	-
Operating expenses - Ceded share	2	7	2	5	10	5
Net operating expenses	310	249	173	170	449	445

→	Munich Health		Total	
	Q2 2014	Q2 2013	Q2 2014	Q2 2013
€m				
Acquisition costs, profit commission and reinsurance commission paid	200	283	2,444	3,175
Administrative expenses	27	44	690	657
Change in deferred acquisition costs and contingent commissions, amortisation and impairment losses of acquired insurance portfolios	8	-9	-70	-346
Gross operating expenses	235	318	3,064	3,486
Ceded share of acquisition costs, profit commission and reinsurance commission paid	11	21	73	106
Ceded share of change in deferred acquisition costs and contingent commissions	-	-11	3	-8
Operating expenses - Ceded share	11	10	76	98
Net operating expenses	224	308	2,988	3,388

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

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

€m	Reinsurance			
	Life		Property-casualty	
	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013
Land and buildings, including buildings on third-party land	9	9	45	48
Investments in affiliated companies	-	-	1	-1
Investments in associates and joint ventures	-	-	27	16
Loans	1	1	5	1
Other securities held to maturity	-	-	-	-
Other securities available for sale				
Fixed-interest	253	267	860	846
Non-fixed-interest	95	39	454	195
Other securities at fair value through profit or loss				
Held for trading				
Fixed-interest	-	-	-	-1
Non-fixed-interest	-	-	2	1
Derivatives	-44	-30	-287	-293
Designated as at fair value through profit or loss				
Fixed-interest	-	-	-	-
Non-fixed-interest	-	-	-	-
Deposits retained on assumed reinsurance, and other investments	152	121	58	-68
Investments for the benefit of life insurance policyholders who bear the investment risk	-	-	-	-
Expenses for the management of investments, other expenses	34	45	84	80
Total	432	362	1,081	664



€m	Primary insurance					
	Life		Health		Property-casualty	
	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013
Land and buildings, including buildings on third-party land	57	45	29	32	3	4
Investments in affiliated companies	-	-	-3	-5	-	7
Investments in associates and joint ventures	1	2	7	5	2	6
Loans	834	829	364	357	35	43
Other securities held to maturity	-	-	-	-	-	-
Other securities available for sale						
Fixed-interest	672	756	303	310	107	129
Non-fixed-interest	116	77	92	45	75	59
Other securities at fair value through profit or loss						
Held for trading						
Fixed-interest	1	-4	-	-	-	-
Non-fixed-interest	-	-	-	-	-	-
Derivatives	202	-117	-39	-21	-24	-19
Designated as at fair value through profit or loss						
Fixed-interest	23	-1	-	-	-	-
Non-fixed-interest	-	-	-	-	-	-
Deposits retained on assumed reinsurance, and other investments	6	5	1	-1	4	4
Investments for the benefit of life insurance policyholders who bear the investment risk	325	23	-	-	-	-
Expenses for the management of investments, other expenses	79	78	33	26	11	14
Total	2,158	1,537	721	696	191	219

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→	Munich Health		Asset management		Total	
€m	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013
Land and buildings, including buildings on third-party land	-	-	2	3	145	141
Investments in affiliated companies	-	-	-2	-	-4	1
Investments in associates and joint ventures	-5	2	4	-7	36	24
Loans	1	1	-	-	1,240	1,232
Other securities held to maturity	-	-	-	-	-	-
Other securities available for sale						
Fixed-interest	50	69	5	1	2,250	2,378
Non-fixed-interest	-	9	1	1	833	425
Other securities at fair value through profit or loss						
Held for trading						
Fixed-interest	-	-	-	-	1	-5
Non-fixed-interest	-	-	-	-	2	1
Derivatives	-	8	-	-	-192	-472
Designated as at fair value through profit or loss						
Fixed-interest	-	-	-	-	23	-1
Non-fixed-interest	-	-	-	-	-	-
Deposits retained on assumed reinsurance, and other investments	-	-	1	-	222	61
Investments for the benefit of life insurance policyholders who bear the investment risk	-	-	-	-	325	23
Expenses for the management of investments, other expenses	3	2	-	-	244	245
Total	43	87	11	-2	4,637	3,563

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

€m	Life		Reinsurance Property-casualty	
	Q2 2014	Q2 2013	Q2 2014	Q2 2013
Land and buildings, including buildings on third-party land	5	4	22	24
Investments in affiliated companies	-	-	1	-
Investments in associates and joint ventures	-	-	20	20
Loans	-	1	1	1
Other securities held to maturity	-	-	-	-
Other securities available for sale				
Fixed-interest	129	136	446	438
Non-fixed-interest	75	36	357	165
Other securities at fair value through profit or loss				
Held for trading				
Fixed-interest	-	-	-	-3
Non-fixed-interest	-	-	1	-
Derivatives	-15	-31	-108	-210
Designated as at fair value through profit or loss				
Fixed-interest	-	-	-	-
Non-fixed-interest	-	-	-	-
Deposits retained on assumed reinsurance, and other investments	81	52	21	-69
Investments for the benefit of life insurance policyholders who bear the investment risk	-	-	-	-
Expenses for the management of investments, other expenses	16	20	47	39
Total	259	178	714	327

→	Primary insurance					
	Life		Health		Property-casualty	
€m	Q2 2014	Q2 2013	Q2 2014	Q2 2013	Q2 2014	Q2 2013
Land and buildings, including buildings on third-party land	29	29	15	18	2	3
Investments in affiliated companies	-	-	-1	-2	-	7
Investments in associates and joint ventures	-	1	5	3	2	4
Loans	361	364	183	181	17	22
Other securities held to maturity	-	-	-	-	-	-
Other securities available for sale						
Fixed-interest	333	337	154	162	53	57
Non-fixed-interest	90	63	76	40	38	39
Other securities at fair value through profit or loss						
Held for trading						
Fixed-interest	-	-3	-	-	-	-
Non-fixed-interest	-	-	-	-	-	-
Derivatives	92	-101	-38	-21	-17	-17
Designated as at fair value through profit or loss						
Fixed-interest	15	-	-	-	-	-
Non-fixed-interest	-	-	-	-	-	-
Deposits retained on assumed reinsurance, and other investments	4	3	1	-1	2	2
Investments for the benefit of life insurance policyholders who bear the investment risk	214	-114	-	-	-	-
Expenses for the management of investments, other expenses	42	42	18	13	6	8
Total	1,096	537	377	367	91	109

→	Munich Health		Asset management		Total	
	Q2 2014	Q2 2013	Q2 2014	Q2 2013	Q2 2014	Q2 2013
€m						
Land and buildings, including buildings on third-party land	-	-	1	1	74	79
Investments in affiliated companies	-	-	-2	-	-2	5
Investments in associates and joint ventures	1	2	3	3	31	33
Loans	1	1	-	-	563	570
Other securities held to maturity	-	-	-	-	-	-
Other securities available for sale						
Fixed-interest	23	22	4	-	1,142	1,152
Non-fixed-interest	-	1	-	1	636	345
Other securities at fair value through profit or loss						
Held for trading						
Fixed-interest	-	-	-	-	-	-6
Non-fixed-interest	-	-	-	-	1	-
Derivatives	-	8	-	-	-86	-372
Designated as at fair value through profit or loss						
Fixed-interest	-	-	-	-	15	-
Non-fixed-interest	-	-	-	-	-	-
Deposits retained on assumed reinsurance, and other investments	-	-	1	-	110	-13
Investments for the benefit of life insurance policyholders who bear the investment risk	-	-	-	-	214	-114
Expenses for the management of investments, other expenses	2	1	-	-	131	123
Total	23	33	7	5	2,567	1,556

Investment income by segment (before deduction of technical interest)

€m	Reinsurance			
	Life		Property-casualty	
	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013
Regular income	427	454	838	937
Thereof:				
Interest income	356	367	601	702
Income from write-ups	269	311	369	431
Gains on the disposal of investments	215	169	1,117	786
Other income	-	-	-	-
Total	911	934	2,324	2,154

→ €m	Primary insurance					
	Life		Health		Property-casualty	
	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013
Regular income	1,421	1,472	767	759	141	153
Thereof:						
Interest income	1,294	1,352	649	636	116	126
Income from write-ups	345	73	36	36	19	14
Gains on the disposal of investments	332	314	107	89	127	134
Other income	399	234	-	-	-	-
Total	2,497	2,093	910	884	287	301

→ €m	Munich Health		Asset management		Total	
	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013
	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013
Regular income	34	44	8	7	3,636	3,826
Thereof:						
Interest income	39	41	2	1	3,057	3,225
Income from write-ups	-	10	3	-	1,041	875
Gains on the disposal of investments	13	38	2	1	1,913	1,531
Other income	-	-	-	-	399	234
Total	47	92	13	8	6,989	6,466

Investment income by segment (before deduction of technical interest)

€m	Reinsurance			
	Life		Property-casualty	
	Q2 2014	Q2 2013	Q2 2014	Q2 2013
Regular income	227	232	449	501
Thereof:				
Interest income	187	183	308	350
Income from write-ups	142	139	196	295
Gains on the disposal of investments	128	111	654	519
Other income	-	-	-	-
Total	497	482	1,299	1,315

→ €m	Primary insurance					
	Life		Health		Property-casualty	
	Q2 2014	Q2 2013	Q2 2014	Q2 2013	Q2 2014	Q2 2013
Regular income	726	759	421	421	76	81
Thereof:						
Interest income	648	680	328	323	58	63
Income from write-ups	177	39	18	24	9	7
Gains on the disposal of investments	118	75	67	63	60	73
Other income	235	44	-	-	-	-
Total	1,256	917	506	508	145	161

→ €m	Munich Health		Asset management		Total	
	Q2 2014	Q2 2013	Q2 2014	Q2 2013	Q2 2014	Q2 2013
	Q2 2014	Q2 2013	Q2 2014	Q2 2013	Q2 2014	Q2 2013
Regular income	20	22	5	4	1,924	2,020
Thereof:						
Interest income	19	20	1	-	1,549	1,619
Income from write-ups	-	10	3	-	545	514
Gains on the disposal of investments	5	3	-	1	1,032	845
Other income	-	-	-	-	235	44
Total	25	35	8	5	3,736	3,423

Investment expenses by segment (before deduction of technical interest)

€m	Reinsurance			
	Life		Property-casualty	
	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013
Write-downs of investments	291	343	521	657
Losses on the disposal of investments	116	155	620	731
Management expenses, interest charges and other expenses	72	74	102	102
Thereof:				
Interest charges	1	2	4	9
Total	479	572	1,243	1,490

→ €m	Primary insurance					
	Life		Health		Property-casualty	
	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013
Write-downs of investments	112	217	46	58	41	34
Losses on the disposal of investments	74	49	105	98	44	33
Management expenses, interest charges and other expenses	153	290	38	32	11	15
Thereof:						
Interest charges	1	1	1	2	-	-
Total	339	556	189	188	96	82

→ €m	Munich Health		Asset management		Total	
	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013
	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013
Write-downs of investments	-	1	1	10	1,012	1,320
Losses on the disposal of investments	1	2	-	-	960	1,068
Management expenses, interest charges and other expenses	3	2	1	-	380	515
Thereof:						
Interest charges	-	-	-	-	7	14
Total	4	5	2	10	2,352	2,903

Investment expenses by segment (before deduction of technical interest)

€m	Reinsurance			
	Life		Property-casualty	
	Q2 2014	Q2 2013	Q2 2014	Q2 2013
Write-downs of investments	129	176	170	468
Losses on the disposal of investments	67	99	359	470
Management expenses, interest charges and other expenses	42	29	56	50
Thereof:				
Interest charges	-	1	2	5
Total	238	304	585	988

→ €m	Primary insurance					
	Life		Health		Property-casualty	
	Q2 2014	Q2 2013	Q2 2014	Q2 2013	Q2 2014	Q2 2013
Write-downs of investments	47	154	19	35	23	23
Losses on the disposal of investments	50	26	90	90	25	20
Management expenses, interest charges and other expenses	63	200	20	16	6	9
Thereof:						
Interest charges	1	-	-	1	-	-
Total	160	380	129	141	54	52

→ €m	Munich Health		Asset management		Total	
	Q2 2014	Q2 2013	Q2 2014	Q2 2013	Q2 2014	Q2 2013
	Q2 2014	Q2 2013	Q2 2014	Q2 2013	Q2 2014	Q2 2013
Write-downs of investments	-	-	1	-	389	856
Losses on the disposal of investments	-	1	-	-	591	706
Management expenses, interest charges and other expenses	2	1	-	-	189	305
Thereof:						
Interest charges	-	-	-	-	3	7
Total	2	2	1	-	1,169	1,867

Other operating result¹

€m	Reinsurance			
	Life		Property-casualty	
	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013
Other operating income	57	40	107	100
Other operating expenses	33	33	136	145

→ €m	Primary insurance					
	Life		Health		Property-casualty	
	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013
Other operating income	41	64	10	19	90	76
Other operating expenses	33	46	24	25	136	109

→ €m	Munich Health		Asset management		Total	
	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013
	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013
Other operating income	27	29	27	25	359	353
Other operating expenses	29	41	10	18	401	417

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

Other operating result¹

€m	Reinsurance			
	Life		Property-casualty	
	Q2 2014	Q2 2013	Q2 2014	Q2 2013
Other operating income	28	20	58	51
Other operating expenses	16	16	62	73

→ €m	Primary insurance					
	Life		Health		Property-casualty	
	Q2 2014	Q2 2013	Q2 2014	Q2 2013	Q2 2014	Q2 2013
Other operating income	21	46	3	8	43	44
Other operating expenses	10	21	14	9	65	52

→ €m	Munich Health		Asset management		Total	
	Q2 2014	Q2 2013	Q2 2014	Q2 2013	Q2 2014	Q2 2013
	Q2 2014	Q2 2013	Q2 2014	Q2 2013	Q2 2014	Q2 2013
Other operating income	14	16	15	13	182	198
Other operating expenses	16	19	3	10	186	200

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

Other operating income mainly comprises income of €227m (225m) from services rendered, interest and similar income of €55m (41m), income of €35m (61m) from the release/reduction of miscellaneous provisions and provisions for bad and doubtful debts, and income of €17m (15m) from owner-occupied property, some of which is also leased out.

In addition to expenses of €174m (180m) for services rendered, other operating expenses chiefly include interest charges and similar expenses of €59m (74m), other write-downs of €14m (16m), and other tax of €47m (41m). They also contain expenses of €8m (6m) 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 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013
Other non-operating income	249	364	553	766
Other non-operating expenses	302	329	710	758
Impairment losses of goodwill	-	-	-	-
Net finance costs	-18	-34	-60	-71

→ €m	Primary insurance			
	Life		Health	
	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013
Other non-operating income	67	81	160	267
Other non-operating expenses	92	82	194	297
Impairment losses of goodwill	-	-	-	-
Net finance costs	23	21	3	2

→ €m	Munich Health		Asset management		Total	
	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013
	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013
Other non-operating income	9	12	2	2	1,158	1,609
Other non-operating expenses	11	13	4	3	1,497	1,640
Impairment losses of goodwill	-	-	-	-	-	-
Net finance costs	-1	-2	-2	-2	-114	-143

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

€m	Reinsurance			
	Life		Property-casualty	
	Q2 2014	Q2 2013	Q2 2014	Q2 2013
Other non-operating income	126	166	315	319
Other non-operating expenses	169	176	434	425
Impairment losses of goodwill	-	-	-	-
Net finance costs	-9	-17	-31	-37

→ €m	Primary insurance					
	Life		Health		Property-casualty	
	Q2 2014	Q2 2013	Q2 2014	Q2 2013	Q2 2014	Q2 2013
Other non-operating income	26	43	88	112	60	50
Other non-operating expenses	39	28	105	130	90	69
Impairment losses of goodwill	-	-	-	-	-	-
Net finance costs	13	9	2	1	-31	-29

→ €m	Munich Health		Asset management		Total	
	Q2 2014	Q2 2013	Q2 2014	Q2 2013	Q2 2014	Q2 2013
	Q2 2014	Q2 2013	Q2 2014	Q2 2013	Q2 2014	Q2 2013
Other non-operating income	4	6	1	1	620	697
Other non-operating expenses	6	8	2	2	845	838
Impairment losses of goodwill	-	-	-	-	-	-
Net finance costs	-1	-1	-1	-1	-58	-75

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

Besides foreign currency exchange gains of €1,100m (1,515m), the other non-operating income contains other non-technical income of €58m (94m).

The other non-operating expenses comprise foreign-currency exchange losses of €1,318m (1,454m), write-downs of €33m (42m) on other intangible assets, and other non-technical expenses of €146m (144m), such as restructuring expenses and other amounts that cannot be allocated elsewhere.

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

In the reporting period, no non-current assets or disposal groups were held for sale or sold.

Related parties

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

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

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

Number of staff

The number of staff employed by the Group as at 30 June 2014 totalled 22,041 (23,131) in Germany and 21,596 (21,534) in other countries.

Number of staff

	30.6.2014	31.12.2013
Reinsurance	11,362	11,315
Primary insurance	28,480	29,595
Munich Health	2,943	2,913
Asset management	852	842
Total	43,637	44,665

Contingent liabilities, other financial commitments

In comparison with the situation at 31 December 2013, financial commitments of significance for the assessment of the Group's financial position show no material changes.

Earnings per share

Diluting effects to be disclosed for the calculation of earnings per share were not present either in the current reporting period or in the same period last year. Earnings per share can be potentially diluted in future through the issue of shares or subscription rights from amounts authorised for increasing the share capital and from contingent capital.

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

Earnings per share

	Q1-2 2014	Q2 2014	Q1-2 2013	Q2 2013
Consolidated result attributable to Munich Reinsurance Company equity holders €m	1,684	765	1,491	528
Weighted average number of outstanding shares	174,130,140	172,774,261	179,133,621	179,299,259
Earnings per share €	9.67	4.43	8.32	2.94

Events after the balance sheet date

On 1 August 2014, via its subsidiary ERGO International AG, Düsseldorf, Munich Re acquired 100% of the voting shares in SHC Insurance Pte. Ltd. (SHC), Singapore. The purchase price was approximately S\$ 69m (€116m). The purchase price was paid in cash and fully financed from internal resources.

SHC offers a broad spectrum of property-casualty policies, including motor, liability, bond, personal accident, fire, marine, and engineering insurance. SHC ranks 14th in the Singapore property-casualty market.

Market entry in Singapore ties in perfectly with ERGO's international growth strategy, which is focused on the highly attractive property-casualty markets of Southeast Asia.

Growth prospects for the next few years are also positive, one reason being the local supervisory authority's endeavours to turn Singapore into an international insurance hub similar to the London market by 2020. SHC itself is well positioned for further growth.

In connection with the acquisition of SHC, its existing client relationships, sales channels and software have been identified as intangible assets. As part of the transaction, goodwill of approximately €22m and other intangible assets of around €18m are likely to be capitalised. The goodwill derives from anticipated synergies, the growth potential of SHC and the further geographical spread of the ERGO Group in the desired growth regions. ERGO is already present in this region in Vietnam, where it owns a 35% share in the Global Insurance Company (GIC). The individual national companies are steered and supported by a regional management team, which can draw on the comprehensive expertise of the ERGO Group in the area of risk management and its broad experience in developing innovative products and sales channels. The goodwill includes the value assigned to SHC's staff and is not tax-deductible.

The provisional carrying amounts of SHC at the acquisition date are as follows: investments of €60m; ceded share of technical provisions amounting to €32m; cash at banks, cheques and cash in hand of €3m; intangible assets, receivables and other assets of €26m; equity of €47m; gross technical provisions of €64m; and other provisions, liabilities and deferred tax liabilities of €10m.

The fair value of the receivables acquired as part of the transaction largely corresponds to the carrying amount. No material defaults were expected at the time of acquisition.

No contingent liabilities or material separate transactions within the meaning of IFRS 3 were identified.

As SHC was acquired as at 1 August 2014, no income and expenses have been included in the consolidated income statement for the period from 1 January until 30 June 2014.

If Munich Re had acquired SHC at the beginning of the financial year, SHC's gross premiums written of €21m and its result of €2m would have contributed to the consolidated premium and consolidated result.

The aforementioned disclosures regarding first-time recognition are provisional, as there could still be adjustments to the purchase price.

Drawn up and released for publication, Munich,
6 August 2014

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 2014 to 30 June 2014, 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 2014

KPMG Bayerische Treuhandgesellschaft
Aktiengesellschaft Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

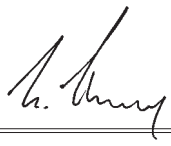




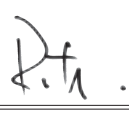

Dr. Frank Ellenbürger
Wirtschaftsprüfer
(Certified public accountant)

Roland Hansen
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 2014

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Münchener Rückversicherungs-Gesellschaft (Munich Reinsurance Company) is a reinsurance company organised under the laws of Germany. In some countries, including in the United States, Munich Reinsurance Company holds the status of an unauthorised reinsurer. Policies are underwritten by Munich Reinsurance Company or its affiliated insurance and reinsurance subsidiaries. Certain coverages are not available in all jurisdictions.

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Responsible for content
Group Reporting

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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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Important dates 2014

6 November 2014
Interim report as at 30 September 2014

Important dates 2015

11 March 2015
Balance sheet press conference
for 2014 consolidated financial statements

23 April 2015
Annual General Meeting

7 May 2015
Interim report as at 31 March 2015

6 August 2015
Interim report as at 30 June 2015

6 August 2015
Half-year press conference

5 November 2015
Interim report as at 30 September 2015