Key figures (IFRS)

Munich Re at a glance

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<thead>
<tr>
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<th>Q1 2014</th>
<th>Q1 2013¹</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated result £m</td>
<td>924</td>
<td>970</td>
<td>-4.7</td>
</tr>
<tr>
<td>Thereof attributable to non-controlling interests £m</td>
<td>5</td>
<td>7</td>
<td>-28.6</td>
</tr>
<tr>
<td>Earnings per share £</td>
<td>5.24</td>
<td>5.39</td>
<td>-2.8</td>
</tr>
<tr>
<td>Return on risk-adjusted capital (RORAC) %</td>
<td>15.4</td>
<td>14.1</td>
<td></td>
</tr>
<tr>
<td>Return on investment (RoI) %</td>
<td>3.8</td>
<td>3.6</td>
<td></td>
</tr>
<tr>
<td>Return on equity (RoE) %</td>
<td>13.8</td>
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<tr>
<td>31.3.2014</td>
<td>156.38</td>
<td>146.45</td>
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<tr>
<td>Munich Reinsurance Company’s market capitalisation £bn</td>
<td>28.4</td>
<td>28.7</td>
<td>-1.0</td>
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<tr>
<td>Share price £</td>
<td>158.60</td>
<td>160.15</td>
<td>-1.0</td>
</tr>
</tbody>
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¹ Previous year’s figures adjusted owing to IAS 8.

Share price performance 1.1.2014 = 100

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<td>100</td>
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<tr>
<td>95</td>
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Source: Datastream
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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

Dear Shareholders,

Munich Re has sufficient capital resources to enable us to act from a position of strength. We want to be free to determine our own business development, and not just react to external events. This also means having the opportunity to buck market trends and take a counter-cyclical position, which can only succeed if we have a solid financial basis.

Munich Re’s equity at the end of 2013 was €26.2bn, which was only slightly below the previous year’s level, despite the negative impact of rising interest rates and exchange-rate movements. However, it is not the equity capital as calculated under IFRS rules which matters, but the ratio of economic equity to the economic risk capital requirement. This ratio saw a further marked increase in the past year.

We are also benefiting from our careful accounting approach of previous years. By making sensible valuations of assets and liabilities, which did not over-extend available margins, we now have a decidedly solid base from which we can generate good profits in the future, despite the many different challenges we currently face.

Although a sound capital base is important, we also believe that it is possible to hold too much capital. There is then a growing danger that the excess capital will not be utilised in line with strategies, or will not be deployed in a way that generates sufficient returns. Even with a comfortable capital buffer, Munich Re adheres consistently to its principle of only writing business at risk-commensurate prices, terms and conditions. During the January round of property-casualty reinsurance renewals, we did not renew a volume of around €1bn, in part because the business no longer met Munich Re’s profitability requirements. We were able to maintain our premium volume owing to new business of around €1.3bn, which was mainly derived from customised solutions.

So, we are adhering to our profit-oriented underwriting policy, and any capital we do not need we are returning to shareholders. We are doing this by means of high dividends, flexibly supplemented by share buy-backs. Including the dividend for the financial year 2013, which was paid out on 2 May 2014, and the share buy-backs carried out between 2006 and the 2014 Annual General Meeting, we have returned over €16.5bn to our shareholders since 2006. Another share buy-back programme is currently in progress, in which we aim to repurchase shares with a volume of €1bn in the period up to the Annual General Meeting in 2015.

Our life reinsurance business is also characterised by a disciplined approach. It should therefore be stressed that in recent years we have continued to generate strong growth in premium income despite this strict underwriting policy. Premium volume has doubled over the past five years. The slight fall in 2013 was due exclusively to currency effects; organic growth in this segment continued over the past year.

Large-volume treaties where reinsurance primarily serves as a capital substitute were a significant factor in this growth, and this is where our competence in providing customised solutions really comes to the fore. But life reinsurance continues to grow even outside this area. Particularly in Asia and Canada, we even managed to exceed our business expectations.
Life reinsurance is quite a challenging business. Especially if coverage includes occupational disability or long-term care, it is not just biological and medical developments that are relevant, but also social, legal and economic factors. So we are cautious about longevity risks. When life expectancy rises even faster than previously expected, apparently sound business may turn into a loss-maker over subsequent decades. Therefore, we exercise particular circumspection with respect to these risks and take great care when expanding our business volume. Whilst in many countries – including Germany – statutory pension systems fail to take sufficient account of demographic trends, our shareholders are quite right to expect that our actuarial calculation bases will continue to function over several decades.

In light of demographic developments, life insurance will also remain an essential component of provision for old age in the future. It will not be possible to maintain living standards in old age without private pension provision. Thus, in principle, life insurance is well placed for the future, but must adapt to ongoing challenges, including low interest rates, new supervisory regimes such as Solvency II, and customer demands for increased flexibility. With its completely new product generation, ERGO is setting ground-breaking standards in life insurance.

Thanks to an almost total absence of major losses, Munich Re generated a profit of €924m in the first quarter. That is a great start to 2014. Results can fluctuate from quarter to quarter, especially in reinsurance, so it is not possible to extrapolate this result to the full year. But, after the first quarter, we look forward to the coming months with optimism. Munich Re is on track.

Yours sincerely,

Nikolaus von Bomhard
Global economic growth in the first quarter of 2014 was somewhat more subdued than in the previous quarter. The main reasons for this were a marked slowdown in the USA, due chiefly to unfavourable weather conditions, and a drop in momentum in China, India, Brazil and Russia. By contrast, the economies of Japan, Germany and the United Kingdom expanded strongly, with the slow recovery in the eurozone continuing.

As announced, the US Federal Reserve began its gradual exit from an expansionary monetary policy in January by reducing the volume of its monthly bond-buying. The monetary policy of the European Central Bank remained expansionary in view of the very low inflation in the eurozone.

Uncertainty on the financial markets increased in the first quarter. In Europe, this owed mainly to geopolitical tensions in connection with the Russian/Ukrainian conflict in March. The political situation worsened still further in April and May, but as yet has had only limited effects on the global financial markets. Already in January, a worsening of the growth outlook in several emerging countries had been a major factor leading to renewed capital outflows and currency devaluations. Simultaneously, long-term interest rates receded in the USA and in Germany. At the end of the quarter, yields on US and German bonds with periods to maturity of ten years were 2.7% and 1.6% respectively, compared with 3.0% and 1.9% at the end of 2013. Risk spreads for covered bonds and corporate bonds also narrowed further. 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 fell again 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 in the euro has an adverse effect on premium income development posted in euros, while depreciation increases it. Compared with the first quarter of 2013, the euro exchange rate in the period under review was up in value against the US dollar (3.8%), the Japanese yen (15.7%) and the Canadian dollar (13.6%), but down against the pound sterling (–2.7%). Altogether, therefore, currency translation effects have distorted premium income downwards in year-on-year comparison. The value shown for investments, which is translated at period-end exchange rates, was influenced only slightly overall by currency translation effects in the period under review. In a comparison of the exchange rates at 31 March 2014 with those at year-end 2013, the euro exchange rate was largely unchanged at 1.38 US dollars and 0.83 pounds sterling. Against the Japanese yen, the euro sank by 1.8%, and against the Canadian dollar it rose by 4.2%.
Business performance

Overview

Munich Re’s Group performance in the first three months of 2014 was good. 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, as well as benefiting from random effects in terms of a particularly low impact from major losses.

Premium income fell slightly year on year due to currency translation effects. If exchange rates had remained the same, our premium income would have increased by 1.4%, despite our strict profitability requirements.

The investment result was at around the same level as in the same period last year. The pleasing result was supported by gains on disposals, particularly of fixed-interest securities and equities.

Due to the lower technical result, the operating result and the consolidated result were somewhat below the very good result generated in the first quarter of 2013.

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 €1.2bn to €27.4bn. In the first quarter of 2014, we acquired 3.7 million Munich Re shares to the value of €580m as part of the share buy-back programme we launched in November 2013.

The annualised return on risk-adjusted capital (RORAC) for the first three months amounted to 15.4% (14.1%), and the return on equity (RoE) to 13.8% (13.8%).

<table>
<thead>
<tr>
<th>Key figures</th>
<th>Q1 2014</th>
<th>Q1 2013¹</th>
<th>Change</th>
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</thead>
<tbody>
<tr>
<td>€m</td>
<td></td>
<td>%</td>
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<tr>
<td>Gross premiums written</td>
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<td>Technical result</td>
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<td>Investment result</td>
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<tr>
<td>Taxes on income</td>
<td>213</td>
<td>442</td>
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<td>Consolidated result</td>
<td>924</td>
<td>970</td>
<td>-4.7</td>
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<tr>
<td>Thereof: Attributable to non-controlling interests</td>
<td>5</td>
<td>7</td>
<td>-28.6</td>
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<tbody>
<tr>
<td>€bn</td>
<td>€bn</td>
<td>%</td>
</tr>
<tr>
<td>Equity</td>
<td>27.4</td>
<td>26.2</td>
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</table>

¹ Previous year’s figures adjusted owing to IAS 8.
Reinsurance

— Slight decrease in premium income to €6.9bn (7.0bn) in the first quarter
— Pleasing result in life reinsurance
— Treaty renewals in property-casualty reinsurance at 1 January: prices decline by 1.5%
— Very low major-loss expenditure in property-casualty reinsurance
— Stable investment result of €540m (521m)
— Consolidated result down to €750m (828m), but still at a good level

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

The gratifying growth in premium income we have seen in recent years is significantly attributable to a number of large-volume treaties where reinsurance primarily serves as a capital substitute for our clients. These treaties generally run for a period of several years and have been concluded mainly in North America, Asia and continental Europe. They continue to be a key driver of our premium development in 2014, not least because we have successfully renewed existing large-volume treaties.

The growth of the Asian insurance markets is also still fuelling our business. As a reinsurer, Munich Re supports this development with innovative products and coverage concepts.

However, growth of primary insurance business has been impacted by the weak economy in many markets, which has a dampening effect on our premium development as well. Compared with the first three months of 2013, the strengthened euro gave rise to negative exchange-rate effects. Given that around 90% of our business is written outside the eurozone, exchange-rate influences play a major part in premium development. If exchange rates had remained the same, our premium income would have climbed by 4.7% in the first quarter.

Key figures

<table>
<thead>
<tr>
<th></th>
<th>Q1 2014</th>
<th>Q1 2013</th>
<th>Change</th>
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<tbody>
<tr>
<td>Gross premiums written</td>
<td>€m</td>
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<td>2,569</td>
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<tr>
<td>Share of gross premiums written in reinsurance</td>
<td>%</td>
<td>36.1</td>
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<tr>
<td>Operating result</td>
<td>€m</td>
<td>122</td>
<td>222</td>
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<tr>
<td>Consolidated result</td>
<td>€m</td>
<td>103</td>
<td>173</td>
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</tbody>
</table>

1 Previous year’s figures adjusted owing to IAS 8.
Result
Altogether, our business developed favourably as expected, with the exception of a moderate increase in claims expenses in the USA. The nevertheless significant decline in the technical result to €104m (209m) is partly attributable to changes in exchange rates and partly to the fact that the first quarter of 2013 was exceptionally good.

Due to a fall in regular income, the investment result was somewhat lower than in the first three months of last year at €173m (184m).

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

Reinsurance – Property-casualty

We saw a marginal decline in premium income compared with the same period last year. Premium volume benefited particularly from the conclusion of new large-volume treaties and increased shares in existing ones in Australian and Chinese motor business. Unlike in the previous year, however, the development of the euro against other currencies had a negative effect on our premium income. If exchange rates had remained unchanged, premium volume would have increased by 4.4%.

In property-casualty reinsurance, which is traditionally exposed to market cycles, Munich Re is maintaining its clear, profit-oriented underwriting policy and accepting risks only at commensurate prices, terms and conditions. The renewals at 1 January 2014 again took place in a very competitive and challenging market environment. Competition became even keener at the end of 2013, with ample capacity available, partly because capital from investors such as pension funds is increasingly being invested in instruments for alternative risk transfer. This capital is flowing mainly into non-proportional natural catastrophe business, which only features to a relatively

Key figures

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<tr>
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<th>Q1 2014</th>
<th>Q1 2013</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>€m</td>
<td></td>
<td>%</td>
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<tr>
<td>Gross premiums written</td>
<td>4,381</td>
<td>4,398</td>
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<tr>
<td>Share of gross premiums written in reinsurance</td>
<td>63.9</td>
<td>63.1</td>
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<tr>
<td>Loss ratio</td>
<td>56.9</td>
<td>56.7</td>
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<tr>
<td>Thereof: Major losses</td>
<td>1.0</td>
<td>2.6</td>
<td>1.6</td>
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<tr>
<td>Expense ratio</td>
<td>30.0</td>
<td>29.0</td>
<td>1.0</td>
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<tr>
<td>Combined ratio</td>
<td>86.9</td>
<td>85.7</td>
<td>1.2</td>
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<tr>
<td>Operating result</td>
<td>869</td>
<td>898</td>
<td>-3.2</td>
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<tr>
<td>Consolidated result</td>
<td>647</td>
<td>655</td>
<td>-1.2</td>
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Gross premiums by division – Q1 2014

- Global Clients and North America 36% (37%)
- Germany, Asia Pacific and Africa 25% (19%)
- Europe and Latin America 21% (22%)
- Special and Financial Risks 18% (22%)
minor extent in the January renewals. The instruments for alternative risk transfer are reinforcing price competition in the reinsurance markets, but are also creating opportunities for established reinsurers. Munich Re is utilising these opportunities to enhance its product range for clients, e.g. through catastrophe bonds, and to expand its own capacity through the purchase of retrocession or reinsurance “sidecars”.

As at 1 January 2014, around €8.7bn in premium volume was up for renewal, somewhat more than half of our property-casualty reinsurance business. Some 12% (around €1bn) of this was not renewed, partly because the business concerned no longer met our profitability requirements. By contrast, we wrote new business with a volume of approximately €1.3bn. Altogether, premium volume grew slightly by 2.7% to around €9bn. Prices fell marginally by 1.5%. Munich Re succeeded in differentiating itself from the rest of the market and mitigating price erosion in a highly competitive environment by offering its clients customised capital relief solutions and special agreements. Individual prices, terms and conditions and private placements accounted for almost half of our business in the January renewals. Treaty terms and conditions remained largely stable.

Result
The technical result showed a year-on-year decline of 6.8% to €822m (882m), but was nevertheless still at a gratifying level.

Major losses remained below expectations in the first quarter of 2014 to an even greater extent than in the same period last year, totalling €39m (106m) after retrocession and before tax, or only 1.0% (2.6%) of net earned premiums. Of this year’s amount, natural catastrophes accounted for €36m (24m), whilst man-made major losses amounted to only €3m (82m).

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 a claim’s final settlement. As the claims notifications remained significantly below the expected level, we made moderate reserve releases of around €140m.

We achieved an investment result of €367m (337m) in the period from January to March 2014, the increase being mainly due to a higher result from disposals.

Overall, our operating result and consolidated result were very satisfactory.
Primary insurance

— Total premium volume of €4.8bn (4.9bn)
— Improved result in life primary insurance in the first three months
— Pleasing development in health primary insurance
— At 95.0% (95.9%), combined ratio for January to March somewhat lower year on year
— Investment result of €1,506m (1,439m) up on previous year thanks to write-ups of derivatives
— Good consolidated result of €154m (117m)

Munich Re’s primary insurance segment comprises the activities of the ERGO Insurance Group (ERGO). ERGO operates in nearly all lines of life, health and property-casualty insurance. It is a leading provider across all classes of business in its domestic market of Germany. In international business, ERGO’s focus is mainly on the growth markets in central and eastern Europe, and Asia. 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.

Primary insurance – Life

Premium
Total premium income in life primary insurance was up slightly compared with the same quarter last year.

In Germany, it amounted to €1,158m (1,213m), with gross premiums written totalling €989m (1,034m). We posted a decline in new business volume of 9.1% to €219m (241m). Measured in terms of annual premium equivalent (APE, i.e. regular premium income plus one-tenth of single-premium volume, the performance measure customary among investors) the decrease in new business came to 10.9%. Single-premium income was down by 8.4%, especially from MaxiZins, our shorter-term-oriented capitalisation product. By contrast, we were able to achieve satisfying growth in company pension business. Regular premium income in German new business was down by 10.7%, with the persistently low interest rates again creating a difficult market environment in the past quarter. Moreover, new business in the first quarter of 2013 had been inflated by a large number of policies concluded at the end of 2012, but not accounted for until the first quarter of 2013.

The new generation of life insurance products ERGO has been marketing since 1 July 2013 in two variants of unsponsored private provision for old age sold well in the first quarter 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 totalled €470m (409m) for the first quarter – a marked increase compared with the first quarter of 2013 – due especially to the good development in Poland, Austria and Belgium. Gross premiums written correspondingly climbed to €366m (323m). New business increased by 39.2% to €220m (158m). In terms of annual premium equivalent, growth totalled 10.2%, mainly owing to the good situation in Poland, where new business through banks developed pleasingly.

**Result**

The technical result improved, totalling €31m (–34m) for the period January to March 2014. This was due to higher technical interest than in the previous year and the change in deferred acquisition costs. In addition, there was an increase in the technical result in international business. The investment result for the period under review amounted to €1,062m (1,000m). The slight improvement was largely attributable to a higher balance from write-ups and write-downs, mainly due to write-ups on interest-rate derivatives.

The increase in the investment result and technical result influenced the development of the operating result. The bottom line was an improved consolidated result.

**Primary insurance – Health**

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<thead>
<tr>
<th>Key figures</th>
<th>Q1 2014</th>
<th>Q1 2013</th>
<th>Change</th>
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<tbody>
<tr>
<td>Gross premiums written</td>
<td>€m</td>
<td>1,431</td>
<td>1,432</td>
</tr>
<tr>
<td>Share of gross premiums written in primary insurance</td>
<td>%</td>
<td>31.3</td>
<td>30.9</td>
</tr>
<tr>
<td>Operating result</td>
<td>€m</td>
<td>66</td>
<td>51</td>
</tr>
<tr>
<td>Consolidated result</td>
<td>€m</td>
<td>33</td>
<td>25</td>
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</table>

**Premium**

Premium volume in the health segment was at the same level as the first quarter of 2013. Business with supplementary benefit covers increased by 3.1%, whilst premium income in comprehensive health insurance declined by 2.1%. In comprehensive health insurance, premium income was partly affected by the falling number of insureds. New business in comprehensive health insurance declined significantly year on year (–38.2%), the decrease reflecting the high number of policies concluded in 2012 with an impact on the first quarter of 2013 (health insurance products with gender-based pricing were only available until 21 December 2012). There was thus an inflation in the volume of new business at the beginning of 2013. This fact was also responsible for the decrease in supplementary health insurance, which at –10.6% 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 4.8% to €131m (125m) for the period January to March 2014. German business expanded by 15.4%, whilst premium income from international business was down by 5.2%, owing to individual portfolio remedial measures.

**Result**

Our technical result amounted to €125m (101m) in the first quarter of the year, benefiting from an improved claims situation in travel insurance and lower costs combined with an increase in premium income in direct insurance. The investment result climbed from €329m to €344m year on year, partly due to higher gains on disposals.

Altogether, the operating result and consolidated result showed an increase.
Primary insurance - Property-casualty

Key figures

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<tr>
<th></th>
<th>Q1 2014</th>
<th>Q1 2013</th>
<th>Change</th>
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</thead>
<tbody>
<tr>
<td>Gross premiums written</td>
<td>€m</td>
<td>1,779</td>
<td>1,854</td>
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<tr>
<td>Share of gross premiums written in primary insurance</td>
<td>%</td>
<td>39.0</td>
<td>39.9</td>
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<tr>
<td>Loss ratio</td>
<td>%</td>
<td>60.2</td>
<td>61.1</td>
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<tr>
<td>Expense ratio</td>
<td>%</td>
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<td>Combined ratio</td>
<td>%</td>
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<td>Operating result</td>
<td>€m</td>
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<td>Consolidated result</td>
<td>€m</td>
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1 Previous year’s figures adjusted owing to IAS 8.

Premium

Premium income in the past quarter fell both in Germany and abroad. In Germany, our premium volume totalled €1,221m (1,260m). Developments in the individual classes of business differed in the first quarter of the year. At -6.1%, commercial and industrial business showed the strongest fall in premium. This derived mainly from commercial and industrial property insurance. Particularly in industrial property insurance, premium development was negatively influenced by planned rehabilitation measures. Personal lines property business showed a 6.9% reduction in premium income, essentially due to the measures taken to increase profitability in houseowners’ comprehensive insurance. By contrast, premium volume in private third-party liability insurance was up by 2.1%. In personal accident insurance and legal protection insurance, we saw a slight decline in premium income. However, premium was up marginally by 1.3% in motor insurance.

We posted premium volume of €558m (594m) in international business. More than half of the decline is attributable to negative currency translation effects. Property-casualty business (without legal protection insurance) showed a decrease of 1.0% to €383m (387m). Good growth in Poland and Russia contrasted with lower premium income in Turkey in particular. Moreover, our premium volume in international legal protection business was down by 15.5% to €175m (207m), primarily due to a special effect in the United Kingdom in the first quarter of 2013.

Result

At €101m (95m), the technical result developed well in the quarter under review. The combined ratio for the period from January to March was 95.0% of net earned premiums – an improvement on the same period last year (95.9%). For German business, the combined ratio was 95.1%, or 1.2 percentage points higher than in the same period last year, partly owing to random effects and reserve strengthening. By contrast, the combined ratio in legal protection insurance showed a significant improvement. In international business, the combined ratio fell to 94.9% (99.2%). We achieved major improvements in the first quarter especially in Poland, Turkey, and the Netherlands.

The investment result of €100m (110m) was affected in particular by a decline in regular income. Whilst our operating result was almost at the same level as last year, our consolidated result was higher.
Munich Health

— Gross premium income of €1.5bn (1.7bn) below level of last year
— Slight improvement in combined ratio at 99.7% (99.4%)
— Decreased investment result of €20m (54m)
— Consolidated result falls to €20m (37m)

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 2014**

<table>
<thead>
<tr>
<th>Region</th>
<th>%</th>
<th>(Q1 2013)</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America (NA)</td>
<td>55%</td>
<td>(63%)</td>
</tr>
<tr>
<td>Northern/Eastern/Central Europe (NECE)</td>
<td>21%</td>
<td>(15%)</td>
</tr>
<tr>
<td>Southern Europe/Latin America (SELA)</td>
<td>16%</td>
<td>(14%)</td>
</tr>
<tr>
<td>Middle East/Africa (MEA)</td>
<td>6%</td>
<td>(5%)</td>
</tr>
<tr>
<td>Asia/Pacific (APAC)</td>
<td>2%</td>
<td>(3%)</td>
</tr>
</tbody>
</table>

Gross premiums written fell year on year. In reinsurance, the slight decline by 0.9% to €1,132m (1,142m) was mainly attributable to adverse effects from the exchange rate of the Canadian dollar. In primary insurance, there was a decrease of 30.6% to €369m (532m), 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 the same, with adjustment for the sale of WHG, Munich Health’s gross premiums would have increased overall by 6.7% in comparison to the first quarter of 2013.
Result
At €14m (13m), the technical result was slightly above the level of the previous year.

The Munich Health combined ratio of 99.7% (99.4%) relates only to short-term health business, not to business conducted like life insurance, which comprised only 9.7% (8.1%) of gross premiums written in the first three months. In reinsurance, the combined ratio amounted to 99.7% (98.8%). In primary insurance, the ratio was 99.4% (101.0%), with the year-on-year improvement relating in particular to the losses of our US Medicare business in the first quarter of 2013.

Munich Health generated an investment result of €20m (54m), a significant decrease which was due to the fact that there were high gains on disposals in the previous-year period.

The reduced investment result is mainly responsible for the decrease in the operating result and consolidated result.
Investment performance

— Fall in interest rates leads to higher market values of €223.5bn (217.7bn)
— Increase in valuation reserves to €18.9bn (15.2bn)
— Investment result of €2.1bn (2.0bn)

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.

<table>
<thead>
<tr>
<th></th>
<th>Reinsurance (€m)</th>
<th>Life (€m)</th>
<th>Property-casualty (€m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and buildings, including buildings on third-party land</td>
<td>255</td>
<td>263</td>
<td>1,217</td>
</tr>
<tr>
<td>Investments in affiliated companies</td>
<td>19</td>
<td>19</td>
<td>82</td>
</tr>
<tr>
<td>Investments in associates</td>
<td>-</td>
<td>-</td>
<td>749</td>
</tr>
<tr>
<td>Loans</td>
<td>38</td>
<td>34</td>
<td>147</td>
</tr>
<tr>
<td>Other securities held to maturity</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other securities available for sale</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed-interest</td>
<td>13,217</td>
<td>12,822</td>
<td>45,324</td>
</tr>
<tr>
<td>Non-fixed-interest</td>
<td>1,324</td>
<td>1,273</td>
<td>5,604</td>
</tr>
<tr>
<td>Other securities at fair value through profit or loss</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Held for trading</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed-interest</td>
<td>-</td>
<td>-</td>
<td>17</td>
</tr>
<tr>
<td>Non-fixed-interest</td>
<td>-</td>
<td>-</td>
<td>37</td>
</tr>
<tr>
<td>Derivatives</td>
<td>631</td>
<td>650</td>
<td>340</td>
</tr>
<tr>
<td>Designated as at fair value through profit or loss</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed-interest</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Non-fixed-interest</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Deposits retained on assumed reinsurance</td>
<td>7,522</td>
<td>7,847</td>
<td>1,310</td>
</tr>
<tr>
<td>Other investments</td>
<td>407</td>
<td>409</td>
<td>1,451</td>
</tr>
<tr>
<td>Investments for the benefit of life insurance policyholders who bear the investment risk</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>23,413</td>
<td>23,317</td>
<td>56,278</td>
</tr>
</tbody>
</table>
**Investment performance**

- Fall in interest rates leads to higher market values of €223.5bn (217.7bn)
- Increase in valuation reserves to €18.9bn (15.2bn)
- Investment result of €2.1bn (2.0bn)

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.

<table>
<thead>
<tr>
<th>Q_235</th>
<th>Investment mix</th>
<th>Reinsurance</th>
<th>Primary insurance</th>
<th>Munich Health</th>
<th>Asset management</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Health</td>
<td>Property-casualty</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land and buildings, including buildings on third-party land</td>
<td>255</td>
<td>263</td>
<td>1,217</td>
<td>1,218</td>
<td>1,330</td>
<td>1,358</td>
</tr>
<tr>
<td>Investments in affiliated companies</td>
<td>19</td>
<td>19</td>
<td>82</td>
<td>81</td>
<td>45</td>
<td>44</td>
</tr>
<tr>
<td>Investments in associates</td>
<td>–</td>
<td>–</td>
<td>749</td>
<td>737</td>
<td>89</td>
<td>93</td>
</tr>
<tr>
<td>Loans</td>
<td>38</td>
<td>34</td>
<td>147</td>
<td>125</td>
<td>35,131</td>
<td>35,185</td>
</tr>
<tr>
<td>Other securities held to maturity</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Fixed-interest</td>
<td>13,217</td>
<td>12,822</td>
<td>45,324</td>
<td>43,156</td>
<td>34,495</td>
<td>33,037</td>
</tr>
<tr>
<td>Non-fixed-interest</td>
<td>1,324</td>
<td>1,273</td>
<td>5,604</td>
<td>6,096</td>
<td>2,569</td>
<td>2,537</td>
</tr>
<tr>
<td>Other securities available for sale</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>65</td>
<td>65</td>
</tr>
<tr>
<td>Held for trading</td>
<td>–</td>
<td>–</td>
<td>17</td>
<td>595</td>
<td>31</td>
<td>52</td>
</tr>
<tr>
<td>Derivatives</td>
<td>631</td>
<td>650</td>
<td>340</td>
<td>406</td>
<td>850</td>
<td>823</td>
</tr>
<tr>
<td>Designated as at fair value through profit or loss</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>189</td>
<td>163</td>
</tr>
<tr>
<td>Deposits retained on assumed reinsurance</td>
<td>7,522</td>
<td>7,847</td>
<td>1,310</td>
<td>1,279</td>
<td>109</td>
<td>128</td>
</tr>
<tr>
<td>Other investments</td>
<td>407</td>
<td>409</td>
<td>1,451</td>
<td>1,451</td>
<td>816</td>
<td>901</td>
</tr>
</tbody>
</table>

Business performance

Munich Re Quarterly Report 1/2014
The carrying amount of our investment portfolio, which continues to be dominated by fixed-interest securities, loans and short-term fixed-interest investments, rose slightly compared with the position at the beginning of the year. At 31 March 2014, the carrying amount of our investments amounted to €213.4bn (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 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 €18.9bn at 31 March 2014.

### Distribution of investments by type

<table>
<thead>
<tr>
<th>Type</th>
<th>Percentage</th>
<th>Carrying Amounts</th>
<th>€m</th>
<th>Fair Values</th>
<th>Unrealised Gains and Losses</th>
<th>Carrying Amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed-interest securities</td>
<td>55%</td>
<td>55%</td>
<td>118,140</td>
<td>6,568</td>
<td>111,572</td>
<td>109,010</td>
</tr>
<tr>
<td>Loans</td>
<td>26%</td>
<td>26%</td>
<td>12,130</td>
<td>2,032</td>
<td>10,098</td>
<td>10,256</td>
</tr>
<tr>
<td>Miscellaneous investments</td>
<td>12%</td>
<td>12%</td>
<td>1,652</td>
<td>366</td>
<td>1,286</td>
<td>1,291</td>
</tr>
<tr>
<td>Shares and equity funds</td>
<td>4%</td>
<td>4%</td>
<td>63,148</td>
<td>7,887</td>
<td>55,261</td>
<td>55,245</td>
</tr>
<tr>
<td>Real estate</td>
<td>2%</td>
<td>2%</td>
<td>3</td>
<td>-</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Participating interests</td>
<td>1%</td>
<td>1%</td>
<td>8,378</td>
<td>6,568</td>
<td>6,181</td>
<td>6,181</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td>130,270</td>
<td>8,600</td>
<td>121,670</td>
<td>119,266</td>
</tr>
</tbody>
</table>

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 categories**

---

<table>
<thead>
<tr>
<th>Economic Category</th>
<th>Amount (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government bonds</td>
<td>47% (46%)</td>
</tr>
<tr>
<td>Pfandbriefs/Covered bonds</td>
<td>28% (29%)</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>10% (10%)</td>
</tr>
<tr>
<td>Cash/Other</td>
<td>5% (5%)</td>
</tr>
<tr>
<td>Structured products (credit structures)</td>
<td>4% (4%)</td>
</tr>
<tr>
<td>Bank bonds</td>
<td>3% (3%)</td>
</tr>
<tr>
<td>Policy and mortgage loans</td>
<td>3% (3%)</td>
</tr>
</tbody>
</table>

---

1. Presentation essentially shows fixed-interest securities and loans, including deposits with banks, at market value.
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 invested in US, Spanish and Italian government bonds, and reduced our holdings of bonds and notes from German and Belgian issuers. The vast majority of our government bonds continue to be 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 50% of our government bond portfolio is made up of German and US bonds, with only 8% from Italian, Spanish and Irish issuers. We no longer have any government bonds from Greece, Portugal or Cyprus in our portfolio.

**Fixed-interest securities: Bank bonds**

---

<table>
<thead>
<tr>
<th>Economic Category</th>
<th>Amount (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior bonds</td>
<td>82</td>
</tr>
<tr>
<td>Loss-bearing bonds</td>
<td>5</td>
</tr>
<tr>
<td>Subordinated bonds</td>
<td>19</td>
</tr>
</tbody>
</table>

---

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 have reduced our holdings of bank bonds to only 3% (3%) of our fixed-interest portfolio. At the reporting date, approximately 7% (7%) of this related to southern European and Irish issuers.

Corporate bonds from other sectors account for 10% (10%) of our fixed-interest portfolio, 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) is almost unchanged. Our equity-backing ratio was 4.5% (4.6%). In the first quarter of 2014, the derivatives used to hedge our equity portfolio were marginally expanded, thus slightly reducing our equity exposure. Including hedges, our equity-backing ratio was 4.2%
(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 €7.2bn (6.8bn) and inflation-linked swaps for which the exposure is €4.5bn (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.

### Regular income

In the first quarter of 2014, regular income was again down slightly year on year. Despite a rise in the reinvestment return in the course of 2013 and in the first quarter of 2014, yields on the fixed-interest securities newly purchased in the period under review were, at 2.5%, still lower than the average return on our existing portfolio.

### Write-ups and write-downs

In the first three months, we posted net write-downs of €127m (103m), particularly on our interest-rate and equity derivatives. As the gold price developed positively, we were able to make write-ups of €21m in our gold portfolio.

The main reason for the higher write-downs compared with the previous year is the fall in the market values both of our equity derivatives and of our interest-rate derivatives in reinsurance in the past quarter. By contrast, in an environment of falling interest rates, our interest-rate hedges in life primary insurance appreciated in value. We use these 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.

### Realised gains/losses on investments

In the first quarter of the 2014 financial year, we posted net gains on disposal of €512m (324m) through active asset management, primarily from our portfolio of fixed-interest securities, most notably on government bonds, as well as equities.

The year-on-year improvement in our result from disposals was due chiefly to gains realised on the disposal of our fixed-interest derivatives. In the past quarter, we also benefited from higher realised gains in our equity portfolio.
Insurance-linked derivatives

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance-linked derivatives in investments</td>
<td>568</td>
<td>569</td>
<td>-0.2</td>
</tr>
<tr>
<td>Liabilities from insurance-linked derivatives</td>
<td>416</td>
<td>427</td>
<td>-2.6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Q1 2014</th>
<th>Q1 2013</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Result from insurance-linked derivatives</td>
<td>-10</td>
<td>-4</td>
<td>150.0</td>
</tr>
</tbody>
</table>

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. MEAG also offers its expertise to private and institutional clients directly and via funds from its investment company.

Assets under management for third parties

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Third-party investments</td>
<td>12.8</td>
<td>12.9</td>
<td>-0.6</td>
</tr>
<tr>
<td>Thereof: External institutional investors</td>
<td>10.0</td>
<td>10.2</td>
<td>-1.9</td>
</tr>
<tr>
<td>Thereof: Private-client business</td>
<td>2.8</td>
<td>2.7</td>
<td>4.7</td>
</tr>
</tbody>
</table>
Prospects

— Premium income of around €48bn expected
— Anticipated return on investment of around 3.3%
— 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 Asian nations is already high, these markets have an additional need for insurance cover because, for example, weather-related natural hazards exposure is rising as the climate changes. In regions with very rapid economic development, the demand for insurance protection remains significant for protecting the large centres of high-quality industrial manufacturing and the rising prosperity of the population. As a result, the strongly increasing capacity supply in the primary insurance and reinsurance sectors at present is matched by largely untapped demand potential in many classes of business.

Munich Re offers its cedants specialist consulting services and extensive solutions, also for tasks such as balance sheet management, risk modelling and asset-liability management. Reinsurance provides primary insurers with efficient and flexible 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. 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.
We therefore see further good development opportunities in life reinsurance. Stimuli will derive in particular from the dynamic expansion of the Asian life insurance markets and from the ongoing privatisation trends in provision for old age, long-term care and disability. 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 the optimisation of capital and balance sheets. Despite a principally intact growth trend, premium volume in primary insurance has seen stagnation in many important regions for us. This is due to the weak economy and reduced readiness to purchase insurance because of the financial crisis, which – together with a tendency towards increased retentions – has also had a dampening effect on the demand for reinsurance.

For 2014, we expect gross premiums written in life reinsurance to be in the region of around €9.5bn. The decline of about €1bn compared with the forecast we made in our annual report for 2013 is solely due to negative currency translation effects. The technical result should amount to over €400m.

In property-casualty reinsurance, which is traditionally 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 seeing 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 continued to improve thanks to the good results posted in 2013. There is thus surplus capacity on the supply side. Last but not least, insurance-linked securities are 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. Prices, terms and conditions for reinsurance cover in non-proportional catastrophe business are accordingly under pressure. Munich Re’s portfolio is not quite as strongly affected by this development, because proportional treaty business accounts for the major part – around two-thirds – of premium volume from traditional property business. However, competition in all lines of business has increased at least temporarily, and weak growth in many markets that have traditionally been highly insured is not being offset by rising demand from the growth regions.

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, comprehensive consultation on capital management, and the insurance of complex liability, credit and large 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.
In the renewals at 1 April 2014, a volume of around €0.8bn, or 5% of the overall portfolio, was up for renewal in the property-casualty reinsurance segment. Roughly a quarter of this figure derives from Japan, with the renewal of Korean business essentially having been brought forward to January. Another 40% or so of the renewal volume stems from North America and global clients. These renewals also involved a high percentage of natural catastrophe business – somewhat more than 40% of the premium worldwide. There was considerable pressure on prices and conditions, in particular for non-proportional catastrophe business. Premium volume remained largely constant, with prices falling by around 8%. In Japan, price erosion was especially strong, starting from a high level after the earthquake of 2011.

The renewals at 1 July 2014 will chiefly concern treaty business in the US market, Australia, and Latin America. They will also mainly involve natural catastrophe business, albeit somewhat less than the April renewals. If there are no major loss events by the end of June, competition should remain intense, but following the deterioration in prices in recent renewal rounds, the pressure on prices should ease.

For 2014, we anticipate that gross premiums written in property-casualty reinsurance will total just over €16.5bn. The decrease compared with the figure of around €17.5bn we forecast in our 2013 annual report is solely attributable to adverse currency translation effects. We are still aiming for a combined ratio of around 94% of net earned premiums. The relief effect from the low major-loss expenditure over the year thus far has partially been offset by the effects of price reductions and a change in the portfolio mix. In particular, there has been an increase in the share of long-tail casualty business, which can still be profitable even if loss ratios are higher.

Gross premiums in reinsurance as a whole should be somewhat over €26bn overall 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.

As at 1 April 2014, the ERGO Insurance Group successfully introduced its new sales organisation structures, including a new division for insurances of the person pooling the German areas of life, health and travel insurance. In its new customer and sales division, ERGO will in future combine all of its service-oriented and administrative functions in connection with insurance contracts. ERGO’s new advice and sales company, ERGO Beratung und Vertrieb AG, was also launched at the beginning of the second quarter. The currently five tied agents’ organisations of ERGO have thus been merged into two homogeneous organisations, each of which will have a competitive size and uniform structures. By pooling the strengths of several long-standing and highly successful sales organisations, ERGO has created a modern infrastructure and effective support structures, thus safeguarding the quality of customer advice and the future of our sales partners.
ERGO also intends to explore innovative ways of designing products. Its new product concept, which ERGO introduced 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 2014 to include “Rürup” pension plans and company pension schemes.

In life primary insurance, our total premium income is likely to be just under €7bn, with gross premiums written ranging between €5bn and €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. With the product generation we launched in the German market in summer 2013, we see good opportunities to position ourselves promisingly in this difficult market.

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 make in the financial year 2014 will be 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 see good growth opportunities overall, particularly in supplementary long-term care insurance and company health insurance, and we therefore expect a moderate increase in premium in this portion of our portfolio.

In property-casualty primary insurance, gross premiums written are likely to amount to a little under €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. Particularly in the highly competitive German motor market, we are consistently implementing measures to improve the earnings situation. In international business, we project gross premium volume of around €2.1bn. The combined ratio in property-casualty business should be down by around two percentage points and amount to a good level of around 95%, with domestic business in particular contributing to the improvement in the further course of the year.

Total premium income in primary insurance in 2014 should be somewhat under €18bn, with gross premiums written totalling around €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

We remain convinced that, owing to medical advances and improved life expectancy, there is a wide range of growth opportunities available to Munich Health in the international healthcare markets. We intend to utilise these opportunities even better in future, following an adjustment of our strategic orientation. In reinsurance, we expect growth to result from our clients’ increasing numbers of insureds and a rise in demand for non-traditional reinsurance solutions. Based on the outcome of the main treaty renewals in January, we are anticipating a moderate strengthening of profitability. Following the sale of WHG, we project stable development in primary insurance business, with the profitability of our major subsidiaries in Spain and Belgium remaining high.

We are proceeding on the assumption that gross premiums written will amount to just under €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 estimate 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 of the same level as last year’s €3.7bn.

The investment result for 2014 should total almost €7.5bn. The return of 3.8% on our investments in the first quarter of 2014 cannot be extrapolated to the year as a whole, because we project lower gains on the disposal of investments in the remaining three quarters. We currently anticipate a total return on our investments of around 3.3% for the financial year 2014.

Our consolidated result target of €3bn for 2014 remains unchanged.

The share buy-back programme we launched in November 2013 was concluded as planned on 22 April 2014. As part of 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, we have returned over €16.5bn to our shareholders since 2006.

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 31 March 2014**

### Assets

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>€m</td>
<td>€m</td>
<td>€m</td>
</tr>
<tr>
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<td>I. Goodwill</td>
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<td>II. Other intangible assets</td>
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<td>4,645</td>
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<td><strong>B. Investments</strong></td>
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<td>I. Land and buildings, including buildings on third-party land</td>
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<td>II. Investments in affiliated companies, associates and joint ventures</td>
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<td>Thereof:</td>
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<td>Associates and joint ventures accounted for using the equity method</td>
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<td>III. Loans</td>
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<td>IV. Other securities</td>
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<td>1. Held to maturity</td>
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<td>2. Available for sale</td>
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<td>125,902</td>
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<td>3. At fair value through profit or loss</td>
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<td></td>
<td>132,522</td>
<td>128,794</td>
<td>3,728</td>
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<td>V. Deposits retained on assumed reinsurance</td>
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<td>9,636</td>
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<td>VI. Other investments</td>
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<td></td>
<td>206,512</td>
<td>202,775</td>
<td>3,737</td>
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<td><strong>C. Investments for the benefit of life insurance policyholders who bear the investment risk</strong></td>
<td>6,926</td>
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<td><strong>D. Ceded share of technical provisions</strong></td>
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<td><strong>E. Receivables</strong></td>
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<td>I. Current tax receivables</td>
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<td>602</td>
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<td>II. Other receivables</td>
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<td>12,758</td>
<td>11,959</td>
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<td><strong>F. Cash at bank, cheques and cash in hand</strong></td>
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<td>2,820</td>
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<td><strong>G. Deferred acquisition costs</strong></td>
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<td>Gross</td>
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<td>9,603</td>
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<td>Ceded share</td>
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<td>61</td>
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<tr>
<td>Net</td>
<td>9,561</td>
<td>9,542</td>
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<td><strong>H. Deferred tax assets</strong></td>
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<td>6,989</td>
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<td>I. Other assets</td>
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<tr>
<td><strong>Total assets</strong></td>
<td>258,874</td>
<td>254,288</td>
<td>4,586</td>
</tr>
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## Equity and liabilities

<table>
<thead>
<tr>
<th></th>
<th></th>
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<tbody>
<tr>
<td><strong>A. Equity</strong></td>
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<td></td>
</tr>
<tr>
<td>I. Issued capital and capital reserve</td>
<td>7,414</td>
<td>7,426</td>
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<td>II. Retained earnings</td>
<td>15,679</td>
<td>12,875</td>
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<td>III. Other reserves</td>
<td>3,149</td>
<td>2,369</td>
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<td>IV. Consolidated result attributable to Munich Reinsurance Company equity holders</td>
<td>919</td>
<td>3,313</td>
<td>–2,394</td>
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<td>V. Non-controlling interests</td>
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<td>243</td>
<td>–11</td>
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<td><strong>Total Equity</strong></td>
<td>27,393</td>
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<td><strong>B. Subordinated liabilities</strong></td>
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<td>4,424</td>
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<td><strong>C. Gross technical provisions</strong></td>
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<tr>
<td>I. Unearned premiums</td>
<td>8,638</td>
<td>7,994</td>
<td>644</td>
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<tr>
<td>II. Provision for future policy benefits</td>
<td>111,635</td>
<td>111,427</td>
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<td>III. Provision for outstanding claims</td>
<td>52,802</td>
<td>53,061</td>
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<td>IV. Other technical provisions</td>
<td>14,942</td>
<td>13,519</td>
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<td><strong>Total Gross Technical Provisions</strong></td>
<td>188,017</td>
<td>186,001</td>
<td>2,016</td>
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<td><strong>D. Gross technical provisions for life insurance policies where the investment risk is borne by the policyholders</strong></td>
<td>7,251</td>
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<td><strong>E. Other accrued liabilities</strong></td>
<td>3,749</td>
<td>3,742</td>
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<td><strong>F. Liabilities</strong></td>
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<tr>
<td>I. Bonds and notes issued</td>
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<td>248</td>
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<tr>
<td>II. Deposits retained on ceded business</td>
<td>2,976</td>
<td>2,762</td>
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<td>III. Current tax liabilities</td>
<td>3,009</td>
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<tr>
<td>IV. Other liabilities¹</td>
<td>13,443</td>
<td>12,859</td>
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<td><strong>Total Liabilities</strong></td>
<td>19,676</td>
<td>18,664</td>
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<td><strong>G. Deferred tax liabilities</strong></td>
<td>8,411</td>
<td>8,188</td>
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<tr>
<td><strong>Total equity and liabilities</strong></td>
<td>258,874</td>
<td>254,288</td>
<td>4,586</td>
</tr>
</tbody>
</table>

¹ Previous year’s figures adjusted owing to IAS 8, see “Recognition and measurement.”
## Consolidated income statement
1 January to 31 March 2014

<table>
<thead>
<tr>
<th>Items</th>
<th>Q1 2014</th>
<th>Q1 2013</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>€m</td>
<td>€m</td>
<td>€m</td>
</tr>
<tr>
<td>Gross premiums written</td>
<td>12,924</td>
<td>13,284</td>
<td>-360</td>
</tr>
<tr>
<td>1. Earned premiums</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Gross</td>
<td>12,273</td>
<td>12,500</td>
<td>-227</td>
</tr>
<tr>
<td>Ceded</td>
<td>378</td>
<td>404</td>
<td>-26</td>
</tr>
<tr>
<td>Net</td>
<td>11,895</td>
<td>12,096</td>
<td>-201</td>
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<tr>
<td>2. Income from technical interest</td>
<td>1,922</td>
<td>1,841</td>
<td>81</td>
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<tr>
<td>3. Expenses for claims and benefits</td>
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<tr>
<td>Gross</td>
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<td>9,748</td>
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<td>Ceded share</td>
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<td>168</td>
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<tr>
<td>Net</td>
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<td>9,580</td>
<td>411</td>
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<tr>
<td>4. Operating expenses</td>
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<tr>
<td>Gross</td>
<td>2,694</td>
<td>3,151</td>
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<tr>
<td>Ceded share</td>
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<td>5</td>
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<tr>
<td>Net</td>
<td>2,629</td>
<td>3,091</td>
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<tr>
<td>5. Technical result (1–4)</td>
<td>1,197</td>
<td>1,266</td>
<td>-69</td>
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<tr>
<td>6. Investment result</td>
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<tr>
<td>Investment income</td>
<td>3,253</td>
<td>3,043</td>
<td>210</td>
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<tr>
<td>Investment expenses</td>
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<td>1,036</td>
<td>147</td>
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<tr>
<td>Total</td>
<td>2,070</td>
<td>2,007</td>
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<td>Thereof:</td>
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<tr>
<td>Income from associates and joint ventures accounted for using the equity method</td>
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<tr>
<td>7. Other operating income</td>
<td>177</td>
<td>155</td>
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<td>8. Other operating expenses</td>
<td>215</td>
<td>217</td>
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<td>9. Deduction of income from technical interest</td>
<td>-1,922</td>
<td>-1,841</td>
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<tr>
<td>10. Non-technical result (6–9)</td>
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<td>11. Operating result (5 + 10)</td>
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<td>1,370</td>
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<tr>
<td>12. Other non-operating result</td>
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<td>110</td>
<td>-224</td>
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<tr>
<td>13. Impairment losses of goodwill</td>
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<td>14. Net finance costs</td>
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<td>15. Taxes on income</td>
<td>213</td>
<td>442</td>
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<tr>
<td>16. Consolidated result (11–15)</td>
<td>924</td>
<td>970</td>
<td>-46</td>
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<tr>
<td>Thereof:</td>
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<tr>
<td>Attributable to Munich Reinsurance Company equity holders</td>
<td>919</td>
<td>963</td>
<td>-44</td>
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<tr>
<td>Attributable to non-controlling interests</td>
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<tr>
<td>Basic earnings per share</td>
<td>5.24</td>
<td>5.39</td>
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# Consolidated income statement

(quarterly breakdown)

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<thead>
<tr>
<th>Items</th>
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<th>2013</th>
<th>2013</th>
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<tr>
<td>Gross premiums written</td>
<td>12,924</td>
<td>12,470</td>
<td>12,497</td>
<td>12,809</td>
<td>13,284</td>
</tr>
<tr>
<td>1. Earned premiums</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross</td>
<td>12,273</td>
<td>12,771</td>
<td>12,544</td>
<td>13,025</td>
<td>12,500</td>
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<tr>
<td>Ceded</td>
<td>378</td>
<td>411</td>
<td>433</td>
<td>420</td>
<td>404</td>
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<tr>
<td>Net</td>
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<td>12,360</td>
<td>12,111</td>
<td>12,605</td>
<td>12,096</td>
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<td>2. Income from technical interest</td>
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<td>1,720</td>
<td>1,735</td>
<td>1,468</td>
<td>1,841</td>
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<tr>
<td>3. Expenses for claims and benefits</td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>Gross</td>
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<td>9,967</td>
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Statement of recognised income and expense
1 January to 31 March 2014

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<th>€m</th>
<th>Q1 2014</th>
<th>Q1 2013</th>
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<tr>
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<tr>
<td><strong>I. Items where income and expenses recognised directly in equity are reallocated</strong></td>
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1 Previous year’s figures adjusted owing to IAS 8.
## Group statement of changes in equity

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<td>Income and expense recognised directly in equity</td>
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<td>Unrealised gains and losses on investments</td>
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<tr>
<td>Change resulting from valuation at equity</td>
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<tr>
<td>Change resulting from cash flow hedges</td>
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<tr>
<td>Remeasurements of defined benefit plans</td>
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<tr>
<td>Other changes</td>
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<tr>
<td>Change in shareholdings in subsidiaries</td>
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<td>Change in consolidated group</td>
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<td>Dividend</td>
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<td>Currency translation</td>
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<td>Unrealised gains and losses on investments</td>
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<td>Change resulting from valuation at equity</td>
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<td>Change resulting from cash flow hedges</td>
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<tr>
<td>Remeasurements of defined benefit plans</td>
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<td>Other changes</td>
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<td>Dividend</td>
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<td>Purchase/sale of own shares</td>
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1 Previous year’s figures adjusted owing to IAS 8.
## Group statement of changes in equity

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<th>Unrealised gains and losses</th>
<th>Reserve from currency translation</th>
<th>Valuation result from cash flow hedges</th>
<th>Consolidated result</th>
<th>Equity attributable to Munich Reinsurance Company equity holders</th>
<th>Non-controlling interests</th>
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## Condensed consolidated cash flow statement

1 January to 31 March 2014

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<th>Q1 2013¹</th>
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<td>Other income/expenses without impact on cash flow</td>
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<tr>
<td><strong>I. Cash flows from operating activities</strong></td>
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<td>Change from obtaining control of consolidated subsidiaries</td>
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<td>Change from the acquisition and sale of investments for unit-linked life insurance</td>
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<td>Other</td>
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<td>18</td>
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<td><strong>II. Cash flows from investing activities</strong></td>
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<tr>
<td>Inflows from increase in capital and from non-controlling interests</td>
<td>-</td>
<td>107</td>
</tr>
<tr>
<td>Outflows to ownership interests and non-controlling interests</td>
<td>579</td>
<td>-</td>
</tr>
<tr>
<td>Dividend payments</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Change from other financing activities</td>
<td>-25</td>
<td>-63</td>
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<tr>
<td><strong>III. Cash flows from financing activities</strong></td>
<td><strong>-604</strong></td>
<td><strong>43</strong></td>
</tr>
<tr>
<td><strong>Cash flows for the financial year (I + II + III)</strong></td>
<td><strong>-183</strong></td>
<td><strong>214</strong></td>
</tr>
<tr>
<td>Effect of exchange rate changes on cash</td>
<td>102</td>
<td>-11</td>
</tr>
<tr>
<td>Cash at the beginning of the financial year</td>
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<td>2,860</td>
</tr>
<tr>
<td>Cash at 31 March of the financial year</td>
<td>2,739</td>
<td>3,063</td>
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</table>

¹ Previous year’s figures adjusted owing to IAS 8.
Recognition and measurement

This quarterly report as at 31 March 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 compulsory for Munich Re for the first time for periods beginning on 1 January 2014. We applied IAS 36 (rev. 05/2013), Recoverable Amount Disclosures for Non-Financial Assets already 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, the following new or amended IFRSs had to be applied 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 has led to a minor result effect of less than €2m and has the effect of increasing the balance sheet total by around €10m.
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 major 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, 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 judgements 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 major implications 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 – Offset 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 to 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 material 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 has not yet been adopted into European law and, therefore, has not yet been applied. 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 modification 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:

<table>
<thead>
<tr>
<th>Currency translation rates</th>
<th>Balance sheet</th>
<th>Income statement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australian dollar</td>
<td>1.48700</td>
<td>1.54020</td>
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<td>Canadian dollar</td>
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<td>1.46405</td>
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<tr>
<td>Pound sterling</td>
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<td>0.83200</td>
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<tr>
<td>Swiss franc</td>
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<td>1.37795</td>
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<tr>
<td>Yen</td>
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<td>144.8300</td>
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<tr>
<td>Yuan renminbi</td>
<td>8.56995</td>
<td>8.34200</td>
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</tbody>
</table>
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

<table>
<thead>
<tr>
<th></th>
<th>Life</th>
<th>Property-casualty</th>
<th>Reinsurance</th>
<th>Life</th>
<th>Property-casualty</th>
<th>Reinsurance</th>
<th>Life</th>
<th>Property-casualty</th>
<th>Reinsurance</th>
<th>Life</th>
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<th>Reinsurance</th>
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<th>Property-casualty</th>
<th>Reinsurance</th>
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<td></td>
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<td>31.3.</td>
<td>31.12.</td>
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<td>31.12.</td>
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<td></td>
<td>2,209</td>
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<td>3,121</td>
<td></td>
<td>3,177</td>
<td>3,121</td>
<td></td>
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<tr>
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<td>5,587</td>
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<td>13,220</td>
<td></td>
<td>13,322</td>
<td>13,220</td>
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<tr>
<td>Total segment assets</td>
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</table>

1 Previous year’s figures adjusted owing to IAS 8, see “Recognition and measurement”.

## Segment liabilities

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<thead>
<tr>
<th></th>
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<th>Property-casualty</th>
<th>Reinsurance</th>
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<th>Reinsurance</th>
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</tr>
<tr>
<td>A. Subordinated liabilities</td>
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<td>1,138</td>
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<td>3,177</td>
<td>3,121</td>
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<tr>
<td>B. Gross technical provisions</td>
<td>1,965</td>
<td>1,932</td>
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</tbody>
</table>

1 Previous year’s figures adjusted owing to IAS 8, see “Recognition and measurement”.
### Selected notes to the consolidated financial statements

#### Munich Re Quarterly Report 1/2014

### Segment liabilities

<table>
<thead>
<tr>
<th></th>
<th>Life</th>
<th>Health</th>
<th>Property-casualty</th>
<th>Primary insurance</th>
<th>Munich Health</th>
<th>Asset management</th>
<th>Total</th>
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<tbody>
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### Segment assets

<table>
<thead>
<tr>
<th></th>
<th>Life</th>
<th>Health</th>
<th>Property-casualty</th>
<th>Primary insurance</th>
<th>Munich Health</th>
<th>Asset management</th>
<th>Total</th>
</tr>
</thead>
<tbody>
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## Segment income statement 1.1.–31.3.2014

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1 Previous year’s figures adjusted owing to IAS 8.
## Segment income statement 1.1.–31.3.2014

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**Selected notes to the consolidated financial statements**

Munich Re Quarterly Report 1/2014
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).

### Non-current assets by country

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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).

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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).

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</tr>
<tr>
<td></td>
<td>4</td>
<td>6</td>
<td>374</td>
<td>396</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6,858</strong></td>
<td><strong>6,967</strong></td>
<td><strong>4,565</strong></td>
<td><strong>4,643</strong></td>
</tr>
<tr>
<td></td>
<td><strong>1,501</strong></td>
<td><strong>1,674</strong></td>
<td><strong>12,924</strong></td>
<td><strong>13,284</strong></td>
</tr>
</tbody>
</table>
### Notes to the consolidated balance sheet

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

**Intangible assets**

#### Development of goodwill

<table>
<thead>
<tr>
<th>Goodwill from the acquisition of</th>
<th>Munich Re</th>
<th>America</th>
<th>Reinsurance</th>
<th>Primary insurance</th>
<th>ERGO Insurance Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>€m</td>
<td>Q1 2014</td>
<td>Q1 2013</td>
<td>Q1 2014</td>
<td>Q1 2013</td>
<td>Q1 2014</td>
</tr>
<tr>
<td>Gross carrying amount at 31 Dec. previous year</td>
<td>1,001</td>
<td>1,046</td>
<td>440</td>
<td>454</td>
<td>1,754</td>
</tr>
<tr>
<td>Accumulated impairment losses at 31 Dec. previous year</td>
<td>–</td>
<td>–</td>
<td>51</td>
<td>51</td>
<td>–</td>
</tr>
<tr>
<td>Carrying amount at 31 Dec. previous year</td>
<td>1,001</td>
<td>1,046</td>
<td>389</td>
<td>403</td>
<td>1,754</td>
</tr>
<tr>
<td>Currency translation differences</td>
<td>–</td>
<td>28</td>
<td>–</td>
<td>9</td>
<td>–</td>
</tr>
<tr>
<td>Additions</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Disposals</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Reclassifications</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Impairment losses</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Carrying amount at 31 March financial year</td>
<td>1,001</td>
<td>1,074</td>
<td>389</td>
<td>412</td>
<td>1,754</td>
</tr>
<tr>
<td>Accumulated impairment losses at 31 March financial year</td>
<td>–</td>
<td>–</td>
<td>51</td>
<td>46</td>
<td>–</td>
</tr>
<tr>
<td>Gross carrying amount at 31 March financial year</td>
<td>1,001</td>
<td>1,074</td>
<td>440</td>
<td>458</td>
<td>1,754</td>
</tr>
</tbody>
</table>

#### Goodwill from the acquisition of

<table>
<thead>
<tr>
<th>Goodwill from the acquisition of</th>
<th>Primary insurance</th>
<th>Other</th>
<th>Munich Health</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>€m</td>
<td>Q1 2014</td>
<td>Q1 2013</td>
<td>Q1 2014</td>
<td>Q1 2013</td>
</tr>
<tr>
<td>Gross carrying amount at 31 Dec. previous year</td>
<td>557</td>
<td>554</td>
<td>156</td>
<td>156</td>
</tr>
<tr>
<td>Accumulated impairment losses at 31 Dec. previous year</td>
<td>409</td>
<td>381</td>
<td>156</td>
<td>156</td>
</tr>
<tr>
<td>Carrying amount at 31 Dec. previous year</td>
<td>148</td>
<td>173</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Currency translation differences</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Additions</td>
<td>8</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Disposals</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Reclassifications</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Impairment losses</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Carrying amount at 31 March financial year</td>
<td>156</td>
<td>173</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Accumulated impairment losses at 31 March financial year</td>
<td>409</td>
<td>381</td>
<td>156</td>
<td>156</td>
</tr>
<tr>
<td>Gross carrying amount at 31 March financial year</td>
<td>565</td>
<td>554</td>
<td>156</td>
<td>156</td>
</tr>
</tbody>
</table>

#### Breakdown of other intangible assets

<table>
<thead>
<tr>
<th>€m</th>
<th>31.3.2014</th>
<th>31.12.2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquired insurance portfolios</td>
<td>374</td>
<td>385</td>
</tr>
<tr>
<td>Acquired brand names</td>
<td>30</td>
<td>31</td>
</tr>
<tr>
<td>Acquired licences/patents</td>
<td>251</td>
<td>253</td>
</tr>
<tr>
<td>Other</td>
<td>262</td>
<td>259</td>
</tr>
<tr>
<td>Total</td>
<td>1,345</td>
<td>1,380</td>
</tr>
</tbody>
</table>

Munich Re Quarterly Report 1/2014
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

<table>
<thead>
<tr>
<th>Bonds</th>
<th>Pricing method</th>
<th>Parameters</th>
<th>Pricing model</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Interest-rate risks</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans against borrower’s note/registered bonds</td>
<td>Theoretical</td>
<td>Sector-, rating- or issuer-specific yield curve</td>
<td>Present-value method</td>
</tr>
<tr>
<td>Cat bond (host)</td>
<td>Theoretical</td>
<td>Interest-rate curve</td>
<td>Present-value method</td>
</tr>
<tr>
<td>Mortgage loans</td>
<td>Theoretical</td>
<td>Sector-specific yield curve</td>
<td>Present-value method</td>
</tr>
<tr>
<td><strong>Derivatives</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Equity and index risks</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OTC stock options</td>
<td>Theoretical</td>
<td>Listing of underlying shares, Effective volatilities, Money-market interest rate, Dividend yield</td>
<td>Black-Scholes (European), Cox, Ross and Rubinstein (American), Monte-Carlo simulation</td>
</tr>
<tr>
<td>Equity forwards</td>
<td>Theoretical</td>
<td>Listing of underlying shares, Money-market interest rate, Dividend yield</td>
<td>Present-value method</td>
</tr>
<tr>
<td><strong>Interest-rate risks</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest-rate swaps</td>
<td>Theoretical</td>
<td>Swap curve, Money-market interest-rate curve</td>
<td>Present-value method</td>
</tr>
<tr>
<td>Swaptions/interest-rate guarantee</td>
<td>Theoretical</td>
<td>At-the-money volatility index and skew swap curve, Money-market interest-rate curve</td>
<td>Black-76</td>
</tr>
<tr>
<td>Interest-rate currency swaps</td>
<td>Theoretical</td>
<td>Swap curve, Money-market interest-rate curve, Currency spot rates</td>
<td>Present-value method</td>
</tr>
<tr>
<td>Inflation swaps</td>
<td>Theoretical</td>
<td>Zero-coupon inflation swap rates, Swap curve, Money-market interest-rate curve</td>
<td>Present-value method</td>
</tr>
<tr>
<td><strong>Currency risks</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Currency options</td>
<td>Theoretical</td>
<td>At-the-money volatility, Currency spot rates, Money-market interest-rate curve</td>
<td>Garman-Kohlhagen (European)</td>
</tr>
<tr>
<td>Currency forwards</td>
<td>Theoretical</td>
<td>Currency spot rates, Money-market interest-rate curve</td>
<td>Present-value method</td>
</tr>
<tr>
<td><strong>Other transactions</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance-linked derivatives (excluding variable annuities)</td>
<td>Theoretical</td>
<td>Market values of cat bonds, Historical event data, Interest-rate curve</td>
<td>Present-value method</td>
</tr>
<tr>
<td>Insurance-linked derivatives (variable annuities)</td>
<td>Theoretical</td>
<td>Biometric and lapse rates, Volatilities, Interest-rate curve, Currency spot rates</td>
<td>Present-value method</td>
</tr>
<tr>
<td>Credit default swaps</td>
<td>Theoretical</td>
<td>Credit spreads, Recovery rates, Interest-rate curve</td>
<td>Present-value method, ISDA CDS Standard Model</td>
</tr>
<tr>
<td>Total return swaps on commodities</td>
<td>Theoretical</td>
<td>Listing of underlying index</td>
<td>Index ratio calculation</td>
</tr>
<tr>
<td>Commodity options</td>
<td>Theoretical</td>
<td>Listing of underlying shares, Effective volatilities, Money-market interest rate</td>
<td>Black-Scholes (European), Cox, Ross and Rubinstein (American)</td>
</tr>
<tr>
<td>Bonds with embedded options</td>
<td>Pricing method</td>
<td>Parameters</td>
<td>Pricing model</td>
</tr>
<tr>
<td>--------------------------------------</td>
<td>----------------</td>
<td>----------------------------------------------------------------------------</td>
<td>------------------------</td>
</tr>
<tr>
<td>Callable bonds</td>
<td>Theoretical price</td>
<td>Money-market/swap interest-rate curve Issuer-specific spreads Volatility matrix</td>
<td>Hull-White model</td>
</tr>
<tr>
<td>CMS floaters</td>
<td>Theoretical price</td>
<td>Money-market/swap interest-rate curve Issuer-specific spreads Volatility matrix</td>
<td>Hull-White model</td>
</tr>
<tr>
<td>Zero-to-coupon switchable bonds</td>
<td>Theoretical price</td>
<td>Money-market/swap interest-rate curve Issuer-specific spreads Volatility matrix</td>
<td>Hull-White model</td>
</tr>
<tr>
<td>Zero-to-CMS switchable bonds</td>
<td>Theoretical price</td>
<td>Money-market/swap interest-rate curve Issuer-specific spreads Volatility matrix</td>
<td>LIBOR market model</td>
</tr>
<tr>
<td>Volatility bonds</td>
<td>Theoretical price</td>
<td>Money-market/swap interest-rate curve Issuer-specific spreads Volatility matrix</td>
<td>LIBOR market model</td>
</tr>
<tr>
<td>CMS floaters with variable cap</td>
<td>Theoretical price</td>
<td>Money-market/swap interest-rate curve Issuer-specific spreads Volatility matrix</td>
<td>Replication model (Hagan)</td>
</tr>
<tr>
<td>CMS steepeners</td>
<td>Theoretical price</td>
<td>Money-market/swap interest-rate curve Issuer-specific spreads Volatility matrix</td>
<td>Replication model (Hagan)</td>
</tr>
<tr>
<td>Dax-Cliquet</td>
<td>Theoretical price</td>
<td>Listing of underlying shares Volatilities Issuer-specific spreads Money-market/swap interest-rate curve</td>
<td>Black-Scholes (European) Present-value method</td>
</tr>
<tr>
<td>Convergence bonds</td>
<td>Theoretical price</td>
<td>Money-market/swap interest-rate curves Issuer-specific spreads Volatility matrix Correlation matrix</td>
<td>LIBOR market model</td>
</tr>
<tr>
<td>Multi-tranches</td>
<td>Theoretical price</td>
<td>At-the-money volatility index and skew swap curve Money-market interest-rate curve Sector-, rating- or issuer-specific curve</td>
<td>Black-76, present value method</td>
</tr>
<tr>
<td>FIS loans against borrower's note</td>
<td>Theoretical price</td>
<td>At-the-money volatility index and skew swap curve Money-market interest-rate curve Sector-, rating- or issuer-specific curve</td>
<td>Black-76, present value method</td>
</tr>
<tr>
<td>Swaption notes</td>
<td>Theoretical price</td>
<td>At-the-money volatility index and skew swap curve Money-market interest-rate curve Sector-, rating- or issuer-specific curve</td>
<td>Black-76, present value method</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fund</th>
<th>Pricing method</th>
<th>Parameters</th>
<th>Pricing model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real estate funds</td>
<td>-</td>
<td>-</td>
<td>Net asset value</td>
</tr>
<tr>
<td>Private equity funds</td>
<td>-</td>
<td>-</td>
<td>Net asset value</td>
</tr>
</tbody>
</table>
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 31 March 2014, around 11% of the investments measured at fair value were allocated to Level 1 of the fair value hierarchy, 85% to Level 2 and 4% to Level 3.

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

<table>
<thead>
<tr>
<th>Parent heading</th>
<th>31.3.2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Level 1</td>
</tr>
<tr>
<td>Investments in affiliated companies measured at fair value</td>
<td>–</td>
</tr>
<tr>
<td>Investments in associates and joint ventures measured at fair value</td>
<td>–</td>
</tr>
<tr>
<td><strong>Other securities available for sale</strong></td>
<td>808</td>
</tr>
<tr>
<td>Fixed-interest</td>
<td>8,015</td>
</tr>
<tr>
<td>Non-fixed-interest</td>
<td>191</td>
</tr>
<tr>
<td><strong>Other securities at fair value through profit or loss</strong></td>
<td>–</td>
</tr>
<tr>
<td>Held for trading, and hedging derivatives¹</td>
<td>–</td>
</tr>
<tr>
<td>Designated as at fair value through profit or loss</td>
<td>–</td>
</tr>
<tr>
<td><strong>Investments for the benefit of life insurance policyholders who bear the investment risk</strong></td>
<td>6,344</td>
</tr>
<tr>
<td>Total</td>
<td>15,358</td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th>€m</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments in affiliated companies measured at fair value</td>
<td>38</td>
<td>–</td>
<td>176</td>
<td>214</td>
</tr>
<tr>
<td>Investments in associates and joint ventures measured at fair value</td>
<td>–</td>
<td>–</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Other securities available for sale</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed-interest</td>
<td>769</td>
<td>110,125</td>
<td>2,777</td>
<td>113,671</td>
</tr>
<tr>
<td>Non-fixed-interest</td>
<td>8,092</td>
<td>2,032</td>
<td>2,107</td>
<td>12,231</td>
</tr>
<tr>
<td>Other securities at fair value through profit or loss</td>
<td>783</td>
<td>2,092</td>
<td>77</td>
<td>2,952</td>
</tr>
<tr>
<td>Held for trading, and hedging derivatives¹</td>
<td>–</td>
<td>164</td>
<td>–</td>
<td>164</td>
</tr>
<tr>
<td>Designated as at fair value through profit or loss</td>
<td>–</td>
<td>31</td>
<td>–</td>
<td>31</td>
</tr>
<tr>
<td>Other investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments for the benefit of life insurance policyholders who bear the investment risk</td>
<td>6,135</td>
<td>564</td>
<td>–</td>
<td>6,699</td>
</tr>
<tr>
<td>Total</td>
<td>15,817</td>
<td>115,008</td>
<td>5,146</td>
<td>135,971</td>
</tr>
</tbody>
</table>

1 Included are hedging derivatives of €229m (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

<table>
<thead>
<tr>
<th>€m</th>
<th>Q1 2014</th>
<th>Q1 2013</th>
<th>Q1 2014</th>
<th>Q1 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying amount at 31 Dec. previous year</td>
<td>176</td>
<td>194</td>
<td>9</td>
<td>16</td>
</tr>
<tr>
<td>Gains and losses</td>
<td>2</td>
<td>2</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Gains (losses) recognised in the income statement</td>
<td>–</td>
<td>–1</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Gains (losses) recognised in equity</td>
<td>2</td>
<td>3</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>23</td>
<td>1</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Disposals</td>
<td>12</td>
<td>2</td>
<td>1</td>
<td>–</td>
</tr>
<tr>
<td>Transfer to Level 3</td>
<td>38</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Transfer out of Level 3</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Changes in the market value of derivatives</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Carrying amount at 31 March financial year</td>
<td>227</td>
<td>195</td>
<td>8</td>
<td>16</td>
</tr>
<tr>
<td>Gains (losses) recognised in the income statement that are attributable to investments shown at 31 March of the financial year</td>
<td>–</td>
<td>–1</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>
Further explanatory information on investments can be found in the “Investment performance” section of the interim management report.

### Other securities available for sale

<table>
<thead>
<tr>
<th>€m</th>
<th>Fixed-interest</th>
<th>Non-fixed-interest</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1 2014</td>
<td>Q1 2013</td>
</tr>
<tr>
<td>Carrying amount at 31 Dec. previous year</td>
<td>2,777</td>
<td>2,118</td>
</tr>
<tr>
<td>Gains and losses</td>
<td>13</td>
<td>24</td>
</tr>
<tr>
<td>Gains (losses) recognised in the income statement</td>
<td>5</td>
<td>15</td>
</tr>
<tr>
<td>Gains (losses) recognised in equity</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>250</td>
<td>585</td>
</tr>
<tr>
<td>Disposals</td>
<td>386</td>
<td>527</td>
</tr>
<tr>
<td>Transfer to Level 3</td>
<td>3</td>
<td>11</td>
</tr>
<tr>
<td>Transfer out of Level 3</td>
<td>1</td>
<td>95</td>
</tr>
<tr>
<td>Changes in the market value of derivatives</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Carrying amount at 31 March financial year</strong></td>
<td>2,656</td>
<td>2,116</td>
</tr>
<tr>
<td>Gains (losses) recognised in the income statement that are attributable to investments shown at 31 March of the financial year</td>
<td>7</td>
<td>10</td>
</tr>
</tbody>
</table>

### Other securities at fair value through profit or loss

<table>
<thead>
<tr>
<th>€m</th>
<th>Held for trading, and hedging derivatives</th>
<th>Designated as at fair value through profit or loss</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1 2014</td>
<td>Q1 2013</td>
<td>Q1 2014</td>
</tr>
<tr>
<td>Carrying amount at 31 Dec. previous year</td>
<td>77</td>
<td>33</td>
<td>-</td>
</tr>
<tr>
<td>Gains and losses</td>
<td>34</td>
<td>9</td>
<td>-</td>
</tr>
<tr>
<td>Gains (losses) recognised in the income statement</td>
<td>34</td>
<td>8</td>
<td>-</td>
</tr>
<tr>
<td>Gains (losses) recognised in equity</td>
<td>-</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>14</td>
<td>19</td>
<td>-</td>
</tr>
<tr>
<td>Disposals</td>
<td>53</td>
<td>17</td>
<td>-</td>
</tr>
<tr>
<td>Transfer to Level 3</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transfer out of Level 3</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Change in the market value of derivatives</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Carrying amount at 31 March financial year</strong></td>
<td>73</td>
<td>44</td>
<td>-</td>
</tr>
<tr>
<td>Gains (losses) recognised in the income statement that are attributable to investments shown at 31 March of the financial year</td>
<td>6</td>
<td>8</td>
<td>-</td>
</tr>
</tbody>
</table>
Equity

Number of shares in circulation and number of own shares held

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of shares in circulation</td>
<td>173,681,094</td>
<td>177,421,900</td>
</tr>
<tr>
<td>Number of own shares held</td>
<td>5,660,118</td>
<td>1,919,312</td>
</tr>
<tr>
<td>Total</td>
<td>179,341,212</td>
<td>179,341,212</td>
</tr>
</tbody>
</table>

Non-controlling interests

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrealised gains and losses</td>
<td>9</td>
<td>8</td>
</tr>
<tr>
<td>Consolidated result</td>
<td>5</td>
<td>29</td>
</tr>
<tr>
<td>Other equity</td>
<td>218</td>
<td>206</td>
</tr>
<tr>
<td>Total</td>
<td>232</td>
<td>243</td>
</tr>
</tbody>
</table>

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

The fair value of the subordinated liabilities at the balance sheet date amounted to €4,857m (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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Munich Re America Corporation, Wilmington, 7.45%, US$ 342m, Senior Notes 1996/2026</td>
<td>CUSIP No.: 029163AD4 ISIN, Reuters: – Bloomber:</td>
<td>a–</td>
<td>A+</td>
<td>A2</td>
<td>A–</td>
<td>248</td>
<td>248</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>248</td>
<td>248</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>€m</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other liabilities</td>
<td>84</td>
<td>799</td>
<td>168</td>
<td>1,011</td>
<td>127</td>
<td>681</td>
<td>147</td>
<td>955</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>€m</th>
<th>Other liabilities at fair value through profit or loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 2014</td>
<td>Q1 2013</td>
</tr>
<tr>
<td>Carrying amount at 31 Dec. previous year</td>
<td>147</td>
</tr>
<tr>
<td>Gains and losses</td>
<td>-46</td>
</tr>
<tr>
<td>Gains (losses) recognised in the income statement</td>
<td>-46</td>
</tr>
<tr>
<td>Gains (losses) recognised in equity</td>
<td>-</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>18</td>
</tr>
<tr>
<td>Disposals</td>
<td>45</td>
</tr>
<tr>
<td>Transfer to Level 3</td>
<td>1</td>
</tr>
<tr>
<td>Transfer out of Level 3</td>
<td>-</td>
</tr>
<tr>
<td>Change in the market value of derivatives</td>
<td>1</td>
</tr>
<tr>
<td>Carrying amount at 31 March financial year</td>
<td>168</td>
</tr>
<tr>
<td>Gains (losses) recognised in the income statement that are attributable to investments shown at 31 March of the financial year</td>
<td>-15</td>
</tr>
</tbody>
</table>
Notes to the consolidated income statement

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

### Munich Health

<table>
<thead>
<tr>
<th></th>
<th>Q1 2014</th>
<th>Q1 2013</th>
<th>Q1 2014</th>
<th>Q1 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross premiums written</td>
<td>1,501</td>
<td>1,674</td>
<td>12,924</td>
<td>13,284</td>
</tr>
<tr>
<td>Change in unearned premiums</td>
<td>3</td>
<td>5</td>
<td>200</td>
<td>168</td>
</tr>
<tr>
<td>Gross earned premiums</td>
<td>1,559</td>
<td>2,564</td>
<td>12,273</td>
<td>12,500</td>
</tr>
<tr>
<td>Ceded premiums written</td>
<td>40</td>
<td>45</td>
<td>479</td>
<td>531</td>
</tr>
<tr>
<td>Change in unearned premiums - Ceded share</td>
<td>-4</td>
<td>-12</td>
<td>101</td>
<td>127</td>
</tr>
<tr>
<td>Earned premiums ceded</td>
<td>44</td>
<td>57</td>
<td>378</td>
<td>404</td>
</tr>
<tr>
<td>Net earned premiums</td>
<td>1,515</td>
<td>1,551</td>
<td>11,895</td>
<td>12,096</td>
</tr>
</tbody>
</table>

### Life

<table>
<thead>
<tr>
<th></th>
<th>Q1 2014</th>
<th>Q1 2013</th>
<th>Q1 2014</th>
<th>Q1 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross premiums written</td>
<td>1,355</td>
<td>1,357</td>
<td>1,431</td>
<td>1,432</td>
</tr>
<tr>
<td>Change in unearned premiums</td>
<td>6</td>
<td>2</td>
<td>30</td>
<td>27</td>
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<tr>
<td>Gross earned premiums</td>
<td>1,349</td>
<td>1,355</td>
<td>1,401</td>
<td>1,405</td>
</tr>
<tr>
<td>Ceded premiums written</td>
<td>19</td>
<td>26</td>
<td>-3</td>
<td>14</td>
</tr>
<tr>
<td>Change in unearned premiums - Ceded share</td>
<td>-</td>
<td>-</td>
<td>-7</td>
<td>2</td>
</tr>
<tr>
<td>Earned premiums ceded</td>
<td>19</td>
<td>26</td>
<td>4</td>
<td>12</td>
</tr>
<tr>
<td>Net earned premiums</td>
<td>1,330</td>
<td>1,329</td>
<td>1,397</td>
<td>1,393</td>
</tr>
</tbody>
</table>

### Health

<table>
<thead>
<tr>
<th></th>
<th>Q1 2014</th>
<th>Q1 2013</th>
<th>Q1 2014</th>
<th>Q1 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross premiums written</td>
<td>1,501</td>
<td>1,674</td>
<td>12,924</td>
<td>13,284</td>
</tr>
<tr>
<td>Change in unearned premiums</td>
<td>3</td>
<td>5</td>
<td>200</td>
<td>168</td>
</tr>
<tr>
<td>Gross earned premiums</td>
<td>1,559</td>
<td>2,564</td>
<td>12,273</td>
<td>12,500</td>
</tr>
<tr>
<td>Ceded premiums written</td>
<td>40</td>
<td>45</td>
<td>479</td>
<td>531</td>
</tr>
<tr>
<td>Change in unearned premiums - Ceded share</td>
<td>-4</td>
<td>-12</td>
<td>101</td>
<td>127</td>
</tr>
<tr>
<td>Earned premiums ceded</td>
<td>44</td>
<td>57</td>
<td>378</td>
<td>404</td>
</tr>
<tr>
<td>Net earned premiums</td>
<td>1,515</td>
<td>1,551</td>
<td>11,895</td>
<td>12,096</td>
</tr>
</tbody>
</table>

### Property-casualty

<table>
<thead>
<tr>
<th></th>
<th>Q1 2014</th>
<th>Q1 2013</th>
<th>Q1 2014</th>
<th>Q1 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross premiums written</td>
<td>40</td>
<td>45</td>
<td>479</td>
<td>531</td>
</tr>
<tr>
<td>Change in unearned premiums - Ceded share</td>
<td>-4</td>
<td>-12</td>
<td>101</td>
<td>127</td>
</tr>
<tr>
<td>Earned premiums ceded</td>
<td>44</td>
<td>57</td>
<td>378</td>
<td>404</td>
</tr>
<tr>
<td>Net earned premiums</td>
<td>1,515</td>
<td>1,551</td>
<td>11,895</td>
<td>12,096</td>
</tr>
</tbody>
</table>

### Premiums

<table>
<thead>
<tr>
<th></th>
<th>€m</th>
<th>€m</th>
<th>€m</th>
<th>€m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross premiums written</td>
<td>2,477</td>
<td>2,569</td>
<td>4,381</td>
<td>4,398</td>
</tr>
<tr>
<td>Change in unearned premiums</td>
<td>3</td>
<td>5</td>
<td>200</td>
<td>168</td>
</tr>
<tr>
<td>Gross earned premiums</td>
<td>2,474</td>
<td>2,564</td>
<td>4,181</td>
<td>4,230</td>
</tr>
<tr>
<td>Ceded premiums written</td>
<td>112</td>
<td>101</td>
<td>248</td>
<td>284</td>
</tr>
<tr>
<td>Change in unearned premiums - Ceded share</td>
<td>-</td>
<td>-</td>
<td>98</td>
<td>130</td>
</tr>
<tr>
<td>Earned premiums ceded</td>
<td>112</td>
<td>101</td>
<td>150</td>
<td>154</td>
</tr>
<tr>
<td>Net earned premiums</td>
<td>2,362</td>
<td>2,463</td>
<td>4,031</td>
<td>4,076</td>
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</tbody>
</table>
### Income from technical interest

<table>
<thead>
<tr>
<th></th>
<th>Reinsurance</th>
<th>Life</th>
<th>Property-casualty</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1 2014</td>
<td>Q1 2013</td>
<td>Q1 2014</td>
</tr>
<tr>
<td>Income from technical interest</td>
<td>167</td>
<td>174</td>
<td>295</td>
</tr>
</tbody>
</table>

### Primary insurance

<table>
<thead>
<tr>
<th></th>
<th>Life</th>
<th>Health</th>
<th>Property-casualty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income from technical interest</td>
<td>Q1 2014</td>
<td>Q1 2013</td>
<td>Q1 2014</td>
</tr>
<tr>
<td>Q1 2014</td>
<td>1,001</td>
<td>933</td>
<td>1,922</td>
</tr>
<tr>
<td>Q1 2013</td>
<td>400</td>
<td>374</td>
<td>50</td>
</tr>
</tbody>
</table>

### Munich Health

<table>
<thead>
<tr>
<th></th>
<th>Q1 2014</th>
<th>Q1 2013</th>
<th>Q1 2014</th>
<th>Q1 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income from technical interest</td>
<td>9</td>
<td>10</td>
<td>1,922</td>
<td>1,841</td>
</tr>
</tbody>
</table>

### Expenses for claims and benefits

<table>
<thead>
<tr>
<th></th>
<th>Reinsurance</th>
<th>Life</th>
<th>Property-casualty</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1 2014</td>
<td>Q1 2013</td>
<td>Q1 2014</td>
</tr>
<tr>
<td>Gross</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Claims and benefits paid</td>
<td>2,008</td>
<td>1,921</td>
<td>2,643</td>
</tr>
<tr>
<td>Changes in technical provisions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provision for future policy benefits</td>
<td>9</td>
<td>-90</td>
<td>-1</td>
</tr>
<tr>
<td>Provision for outstanding claims</td>
<td>152</td>
<td>51</td>
<td>-325</td>
</tr>
<tr>
<td>Provision for premium refunds</td>
<td>-</td>
<td>-</td>
<td>-325</td>
</tr>
<tr>
<td>Other technical result</td>
<td>-</td>
<td>5</td>
<td>-</td>
</tr>
<tr>
<td>Gross expenses for claims and benefits</td>
<td>2,169</td>
<td>1,887</td>
<td>2,317</td>
</tr>
</tbody>
</table>

| Ceded share          |             |       |         |         |
| Claims and benefits paid | 93       | 157   | 86      | 134     |
| Changes in technical provisions |         |       |         |         |
| Provision for future policy benefits | -14      | -25   | -       | -       |
| Provision for outstanding claims | -7       | -77   | -64     | -95     |
| Provision for premium refunds | -       | -     | -325    | -115    |
| Other technical result | -14      | -6    | -       | -       |
| Expenses for claims and benefits – Ceded share | 38       | 49    | 22      | 39      |

<p>| Net                  |             |       |         |         |
| Claims and benefits paid | 1,915     | 1,764 | 2,557   | 2,329   |
| Changes in technical provisions |         |       |         |         |
| Provision for future policy benefits | 23       | -65   | -1      | -       |
| Provision for outstanding claims | 159      | 128   | -261    | -20     |
| Provision for premium refunds | -        | -     | -       | 1       |
| Other technical result | 14       | 11    | -       | -       |
| Net expenses for claims and benefits | 2,111    | 1,838 | 2,295   | 2,310   |</p>
<table>
<thead>
<tr>
<th></th>
<th>Life Q1 2014</th>
<th>Q1 2013</th>
<th>Health Q1 2014</th>
<th>Q1 2013</th>
<th>Property-casualty Q1 2014</th>
<th>Q1 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Claims and benefits paid</td>
<td>1,540</td>
<td>1,509</td>
<td>1,108</td>
<td>1,073</td>
<td>800</td>
<td>813</td>
</tr>
<tr>
<td>Changes in technical provisions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provision for future policy benefits</td>
<td>172</td>
<td>230</td>
<td>257</td>
<td>272</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Provision for outstanding claims</td>
<td>-32</td>
<td>-11</td>
<td>-133</td>
<td>-79</td>
<td>-21</td>
<td>-12</td>
</tr>
<tr>
<td>Provision for premium refunds</td>
<td>313</td>
<td>157</td>
<td>273</td>
<td>238</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Other technical result</td>
<td>49</td>
<td>38</td>
<td>-</td>
<td>-2</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td><strong>Gross expenses for claims and benefits</strong></td>
<td>2,042</td>
<td>1,923</td>
<td>1,505</td>
<td>1,502</td>
<td>790</td>
<td>811</td>
</tr>
<tr>
<td><strong>Ceded share</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Claims and benefits paid</td>
<td>51</td>
<td>36</td>
<td>7</td>
<td>5</td>
<td>17</td>
<td>18</td>
</tr>
<tr>
<td>Changes in technical provisions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provision for future policy benefits</td>
<td>-23</td>
<td>5</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Provision for outstanding claims</td>
<td>-9</td>
<td>-1</td>
<td>-2</td>
<td>1</td>
<td>3</td>
<td>-3</td>
</tr>
<tr>
<td>Provision for premium refunds</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-1</td>
<td>-</td>
</tr>
<tr>
<td>Other technical result</td>
<td>-16</td>
<td>-17</td>
<td>-</td>
<td>-1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>Expenses for claims and benefits – Ceded share</strong></td>
<td>3</td>
<td>23</td>
<td>5</td>
<td>6</td>
<td>18</td>
<td>16</td>
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### Munich Health

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1 Previous year’s figures adjusted owing to IAS 8.
### Munich Health – Total

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

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### Other securities at fair value through profit or loss

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<tr>
<td><strong>Derivatives</strong></td>
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<td><strong>Fixed-interest</strong></td>
</tr>
<tr>
<td><strong>Non-fixed-interest</strong></td>
</tr>
<tr>
<td><strong>Deposits retained on assumed reinsurance, and other investments</strong></td>
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<tr>
<td><strong>Investments for the benefit of life insurance policyholders who bear the investment risk</strong></td>
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<td><strong>Expenses for the management of investments, other expenses</strong></td>
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### Primary insurance

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<td>–</td>
<td></td>
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<tr>
<td>Total</td>
<td>22</td>
<td>57</td>
<td>5</td>
<td>3</td>
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<table>
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<tr>
<th></th>
<th></th>
<th>Munich Health</th>
<th></th>
<th></th>
<th>Asset management</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Q1 2014</td>
<td>Q1 2013</td>
<td>Q1 2014</td>
<td>Q1 2013</td>
<td>Q1 2014</td>
<td>Q1 2013</td>
</tr>
<tr>
<td>Regular income</td>
<td>1,241</td>
<td>1,176</td>
<td>404</td>
<td>376</td>
<td>142</td>
<td>140</td>
<td></td>
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<tr>
<td>Thereof:</td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Interest income</td>
<td>695</td>
<td>713</td>
<td>346</td>
<td>338</td>
<td>65</td>
<td>72</td>
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</tr>
<tr>
<td>Income from write-ups</td>
<td>168</td>
<td>34</td>
<td>18</td>
<td>12</td>
<td>10</td>
<td>7</td>
<td></td>
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<tr>
<td>Gains on the disposal of investments</td>
<td>214</td>
<td>239</td>
<td>40</td>
<td>26</td>
<td>67</td>
<td>61</td>
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<tr>
<td>Other income</td>
<td>164</td>
<td>190</td>
<td>–</td>
<td>–</td>
<td>164</td>
<td>190</td>
<td></td>
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<tr>
<td>Total</td>
<td>1,712</td>
<td>1,806</td>
<td>1,421</td>
<td>1,404</td>
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</table>
### Investment expenses by segment (before deduction of technical interest)

<table>
<thead>
<tr>
<th>€m</th>
<th>Q1 2014</th>
<th>Q1 2013</th>
<th>Q1 2014</th>
<th>Q1 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reinsurance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Life</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property-casualty</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Write-downs of investments</td>
<td>162</td>
<td>167</td>
<td>351</td>
<td>189</td>
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<tr>
<td>Losses on the disposal of investments</td>
<td>49</td>
<td>56</td>
<td>261</td>
<td>261</td>
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<tr>
<td>Management expenses, interest charges and other expenses</td>
<td>30</td>
<td>45</td>
<td>46</td>
<td>52</td>
</tr>
<tr>
<td>Thereof:</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Interest charges</td>
<td>1</td>
<td>1</td>
<td>2</td>
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<tr>
<td>Total</td>
<td>241</td>
<td>268</td>
<td>658</td>
<td>502</td>
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</table>

<table>
<thead>
<tr>
<th>€m</th>
<th>Q1 2014</th>
<th>Q1 2013</th>
<th>Q1 2014</th>
<th>Q1 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary insurance</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Life</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property-casualty</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Write-downs of investments</td>
<td>65</td>
<td>63</td>
<td>27</td>
<td>23</td>
</tr>
<tr>
<td>Losses on the disposal of investments</td>
<td>24</td>
<td>23</td>
<td>15</td>
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<tr>
<td>Management expenses, interest charges and other expenses</td>
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<td>18</td>
<td>16</td>
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<tr>
<td>Thereof:</td>
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<tr>
<td>Interest charges</td>
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<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>179</td>
<td>176</td>
<td>60</td>
<td>47</td>
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</table>

<table>
<thead>
<tr>
<th>€m</th>
<th>Q1 2014</th>
<th>Q1 2013</th>
<th>Q1 2014</th>
<th>Q1 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Munich Health</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asset management</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other operating income</td>
<td>47</td>
<td>32</td>
<td>47</td>
<td>32</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>71</td>
<td>57</td>
<td>71</td>
<td>57</td>
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</table>

### Other operating result¹

<table>
<thead>
<tr>
<th>€m</th>
<th>Q1 2014</th>
<th>Q1 2013</th>
<th>Q1 2014</th>
<th>Q1 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reinsurance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Life</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property-casualty</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other operating income</td>
<td>29</td>
<td>49</td>
<td>49</td>
<td>49</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>17</td>
<td>74</td>
<td>74</td>
<td>72</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>€m</th>
<th>Q1 2014</th>
<th>Q1 2013</th>
<th>Q1 2014</th>
<th>Q1 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary insurance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Life</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property-casualty</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other operating income</td>
<td>20</td>
<td>18</td>
<td>7</td>
<td>11</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>23</td>
<td>25</td>
<td>16</td>
<td>16</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>€m</th>
<th>Q1 2014</th>
<th>Q1 2013</th>
<th>Q1 2014</th>
<th>Q1 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Munich Health</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asset management</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other operating income</td>
<td>13</td>
<td>13</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>13</td>
<td>22</td>
<td>7</td>
<td>8</td>
</tr>
</tbody>
</table>

¹ Previous year’s figures adjusted owing to IAS 8.
Other operating income mainly comprises income of €116m (112m) from services rendered, interest and similar income of €25m (20m), income of €21m (13m) from the release/reduction of miscellaneous provisions and provisions for bad and doubtful debts, and income of €8m (6m) from owner-occupied property, some of which is also leased out.

In addition to expenses of €89m (87m) for services rendered, other operating expenses chiefly include interest charges and similar expenses of €29m (36m), other write-downs of €8m (9m), and other tax of €24m (17m). They also contain expenses of €3m (8m) for owner-occupied property, some of which is also leased out.

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 €509m (864m), the other non-operating income contains other non-technical income of €29m (48m).

The other non-operating expenses comprise foreign-currency exchange losses of €558m (711m), write-downs of €16m (21m) on other intangible assets, and other non-technical expenses of €78m (70m), 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 notifiable transactions were conducted between Board members and Munich Re.

Number of staff

The number of staff employed by the Group as at 31 March 2014 totalled 22,790 (23,131) in Germany and 21,457 (21,534) in other countries.

<table>
<thead>
<tr>
<th>Number of staff</th>
<th>31.3.2014</th>
<th>31.12.2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reinsurance</td>
<td>11,341</td>
<td>11,315</td>
</tr>
<tr>
<td>Primary insurance</td>
<td>29,143</td>
<td>29,595</td>
</tr>
<tr>
<td>Munich Health</td>
<td>2,919</td>
<td>2,913</td>
</tr>
<tr>
<td>Asset management</td>
<td>844</td>
<td>842</td>
</tr>
<tr>
<td>Total</td>
<td>44,247</td>
<td>44,665</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Earnings per share</th>
<th>Q1 2014</th>
<th>Q1 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated result attributable to Munich Reinsurance Company equity holders</td>
<td>€m</td>
<td>919</td>
</tr>
<tr>
<td>Weighted average number of outstanding shares</td>
<td></td>
<td>175,501,084</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>€</td>
<td>5.24</td>
</tr>
</tbody>
</table>

Events after the balance sheet date

No events of material significance have occurred since the balance sheet date.

Drawn up and released for publication
Munich, 7 May 2014

The Board of Management
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.

Any description in this document is for general information purposes only and does not constitute an offer to sell or a solicitation of an offer to buy any product.

Responsible for content
Group Reporting

Editorial deadline: 6 May 2014
Publication date: 8 May 2014

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81379 München
Germany

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

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Fax: +49 89 3891-3599
presse@munichre.com
Important dates 2014

7 August 2014
Interim report as at 30 June 2014

7 August 2014
Half-year press conference

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