Quarterly Report 1/2013
Munich Re

1/2013

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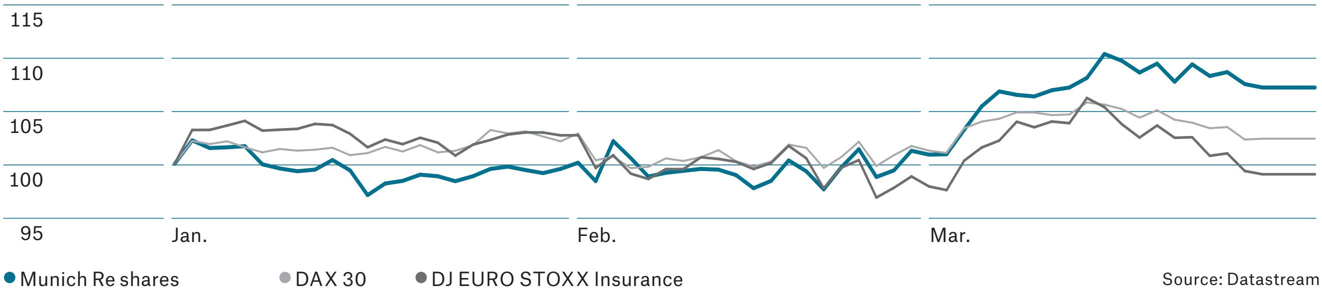
Share price performance 1.1.2013 = 100



Source: Datastream

Key figures (IFRS)

Munich Re at a glance

		Q1 2013	Q1 2012	Change
				%
Consolidated result	€m	979	782	25.2
Thereof attributable to non-controlling interests	€m	7	2	250.0
Earnings per share	€	5.43	4.39	23.7
Return on risk-adjusted capital (RORAC)	%	14.3	12.8	
Return on investment (RoI)	%	3.6	4.3	
Return on equity (RoE)	%	14.0	13.1	
		31.3.2013	31.12.2012	Change
				%
Book value per share	€	158.23	152.25	3.9
Munich Reinsurance Company's market capitalisation	€bn	26.2	24.4	7.3
Share price	€	145.90	136.00	7.3

		31.3.2013	31.12.2012	Change
				%
Equity	€m	28,620	27,423	4.4
Investments	€m	216,235	213,823	1.1
Net technical provisions	€m	187,919	186,117	1.0
Balance sheet total	€m	260,999	258,360	1.0
Number of staff		45,375	45,437	–0.1

Contents

To our shareholders

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

Dear Shareholders,

We have made a very good start to the current year. Overall, our Group posted a profit of €979m for the first quarter. Of course, this result cannot simply be extrapolated for 2013 as a whole because there are still too many imponderables at such an early stage in the year. Nevertheless, with this start, we are very confident of being able to achieve our profit guidance of close to €3bn.

In the first quarter, the turmoil surrounding Cyprus again clearly demonstrated that the financial crisis is far from over – the debt problems besetting many states have not been resolved and the necessary reforms are still insufficient or not effective yet. But this should not close our eyes to positive developments in other regions of the world. Take Asia, for instance. Our economists have conducted a study analysing the Asian-Pacific insurance markets. The outcome: up until 2020, the region will remain the global insurance industry's most important growth driver. A good 30% of today's global premium income in primary insurance derives from this area. In absolute figures, that is some €1,100bn, which our economists expect will have nearly doubled by 2020. This development is being driven by large Asian emerging markets such as China, India and Indonesia.

The causes of the trend are clear: strong economic growth in the region is giving rise to a rapidly expanding middle class. As average incomes increase, demand for insurance usually grows. Higher savings rates and an enhanced need for insurance cover drive up demand for life and health insurance. Cover for damage to property, including third-party damage, becomes more important. This and generally improved consumer protection increase the requirement for property and liability covers. Infrastructure projects and rapid technological progress boost demand for large-scale commercial and industrial insurance.

Yet despite the significant premium growth anticipated, the emerging Asian markets will remain substantially underinsured. This applies in particular to the consequences of natural catastrophes. Some governments are seriously looking for solutions to cope with such catastrophes in a way that consumes fewer resources. Awareness is growing that cooperation between the public sector and private insurers is advisable. Munich Re is in contact with government representatives and devises insurance solutions for this major challenge which are geared to the specific situations of the individual countries.

Altogether, we see the development in Asia as a great opportunity for us. The Asia-Pacific region is gaining in weight for Munich Re: in 2012, our Group posted premium volume of just under €5bn in Asia-Pacific alone, which is almost 10% of our gross premiums written. Naturally, we have to be very prudent in developing this business, given that our aim is not to acquire as much as possible but to expand profitable business. And in the light of the constantly growing competition in the wake of a veritable "run" on Asia-Pacific, margins are coming under substantial pressure in many areas of business.

Munich Re has had a successful presence in Asia-Pacific for many years now. Last year, we celebrated the 100th anniversary of Munich Re's first reinsurance treaty in Japan and the 50th anniversary of our reinsurance branch in Hong Kong. Around ten years ago, Munich Re became the first international reinsurer to receive a licence to write business in local currency throughout China in all classes of reinsurance. A joint venture for life insurance was launched by ERGO with a local partner in the Chinese province of Shandong 12 months ago. In India, ERGO has been writing property-casualty business very successfully together with HDFC since 2007, and will now offer life insurance products for private clients there with a joint-venture partner, the Avantha Group. Munich Health has been transacting health insurance business in India together with the Apollo Hospitals Group since 2006.

And our involvement in this region is not only commercial: as part of our corporate citizenship concept, for example, we are also supporting a prevention project in the Indian earthquake region of Aizawl. The 300,000 inhabitants of this northeast Indian city are exposed to an extremely high earthquake risk. The partner project between the organisation GeoHazards International and Munich Re is aimed at advising the local government on how to make buildings and infrastructure safer and thus more effectively protect people and their livelihoods.

So you see, we are represented in the world's markets of the future. But, as I have already said, here too we naturally adhere to our fundamental principle: we aim to grow profitably, which is only possible with rigorous risk management and a selective underwriting policy. This is key to ensuring that you, our shareholders, can continue to rely on the soundness of your investment in Munich Re.

Yours sincerely,

Nikolaus von Bomhard

Interim management report

Business environment

— Global economic growth picks up again
— Interest rates stay at a low level
— Share prices rise considerably

Thanks to the recovery of a number of industrialised countries, the global economy picked up again a little in the first quarter of 2013. Growth in the eurozone stagnated. The sovereign debt and banking crisis receded into the background somewhat on the financial markets, despite temporary uncertainty when the situation in Cyprus came to a head.

In the first quarter, the ongoing recession in the eurozone diminished slightly, owing largely to an upturn in the German economy. The economies of Spain, Italy and France shrank, and unemployment rose.

US economic growth was strong, the public spending cuts effective from March having no major dampening effect as yet.

The Japanese economy grew steadily in the first quarter of 2013. Consumer confidence climbed to the highest levels since 2007; a clear majority of consumers anticipated an end to deflation in the current year. The government and the central bank had announced new economic and monetary policy measures.

China and other emerging countries in Asia saw some deceleration in economic growth, although it was still at a high level compared with that of the industrialised countries.

Monetary policy in the most important economies remained very expansive. Key interest rates in the USA, the eurozone, Japan and the United Kingdom were kept unchanged at their historic lows, and the central banks of these countries continued their government-bond purchase programmes to bolster their economies.

Despite ongoing expansionary monetary policy and high oil prices, inflation in most industrialised countries stayed moderate. In the first quarter of 2013, the annual inflation rate sank from 1.9% in the fourth quarter of 2012 to 1.7% in the USA, and from 2.3% to 1.9% in the eurozone. In China, inflation rose from 2.1% to 2.4%, chiefly due to higher food prices.

Volatility on the financial markets in the period under review remained within reasonable bounds compared with the movements of the last two years. The focus was only on the crisis in the eurozone from time to time, such as when the parliamentary elections in Italy in the first quarter failed to produce a stable majority for a government. Despite ongoing uncertainty, this led only to a moderate and temporary increase in yields on Italian government bonds. Discussion of a special levy for bank customers as part of a rescue package for Cyprus also unsettled investors worldwide for just a short time. Yields on the government bonds of the other peripheral states of the eurozone were not noticeably affected.

Overall, the stock markets posted marked price gains. The sharp depreciation of the Japanese yen boosted the share prices of Japanese exporters and contributed to an 18.7% increase in the Nikkei Index over the course of the quarter. The US stock markets also advanced significantly. Contrastingly, European stock markets finished the quarter just below their start-of-the-year level.

Many investors in search of safe investments again favoured German and US government bonds. Yields on bonds thus remained low: though yields on US and German bonds with periods to maturity of ten years rose at the beginning of the quarter, at the end of March they were 1.8% and 1.3% respectively – almost the same levels as at the end of December.

At the start of the year, the euro continued to gain ground, reaching its highest level against the US dollar for over a year. From February on, however, the euro fell, closing the quarter at US$ 1.28, down slightly on where it had been at the turn of the year. The yen lost value considerably against all the other main currencies.

Business performance

Overview

Key figures

	Q1 2013	Q1 2012	Change
	€m	€m	%
Gross premiums written[1]	13,284	13,222	0.5
Technical result	1,279	972	31.6
Investment result	2,007	2,244	–10.6
Operating result	1,388	1,202	15.5
Taxes on income	451	159	183.6
Consolidated result	979	782	25.2
Thereof: Attributable to non-controlling interests	7	2	250.0
	31.3.2013	31.12.2012	Change
	€bn	€bn	%
Equity	28.6	27.4	4.4

1 Previous year's figure adjusted pursuant to IAS 8.

Munich Re's Group-wide business generated a very pleasing result for the first three months of the year. This result and the positive development of our equity capital reflect our forward-looking risk management, prudent investment policy, profit-oriented underwriting approach, and a random low burden from natural catastrophes.

Despite our strict profitability requirements, our consolidated premium income showed a further moderate rise. As in the previous year, the burden from natural catastrophes was below average. The technical result was again significantly up year on year. The investment result was slightly lower than in the same period last year, partly because regular interest income fell. Investments for unit-linked life insurance grew less strongly than last year. This reduction in the investment result did not have any effect on the income statement.

Altogether, we therefore posted a higher operating result of €1,388m (1,202m). Owing to currency effects, the other non-operating result of €110m was significantly up on the previous year's figure (–€195m). Our taxes on income totalled €451m (159m).

All in all, the consolidated result exceeded the good level posted in the first quarter last year.

Thanks mainly to our consolidated profit of €979m, our equity increased by €1.2bn to €28.6bn compared with the beginning of the year. The annualised return on risk-adjusted capital (RORAC) amounted to 14.3% (12.8%), and the return on equity (RoE) to 14.0% (13.1%).

Reinsurance

- Slight rise in premium income to €7.0bn (6.8bn)
- Highly pleasing development in life reinsurance, with a consolidated result of €172m (129m)
- Satisfactory treaty renewals at 1 January 2013 in property-casualty reinsurance; profitability requirements consistently implemented
- Low combined ratio of 85.7% (94.6%), partly owing to lighter claims burden
- Satisfactory investment result of €521m (690m)
- Further improvement of 30.4% in the consolidated result to €827m (634m)

Munich Re operates in virtually all classes of reinsurance. We offer a full range of products, from traditional reinsurance to innovative solutions for risk assumption, using our extensive risk knowledge to develop individual solutions for our clients in response to complex issues.

Reinsurance – Life

Key figures

		Q1 2013	Q1 2012	Change
				%
Gross premiums written	€m	2,569	2,599	–1.2
Share of gross premiums written in reinsurance	%	36.9	38.0	
Operating result	€m	222	190	16.8
Consolidated result	€m	172	129	33.3

Premium

The gratifying growth in premium income we have seen in recent years is significantly attributable to large-volume treaties where reinsurance primarily serves as a capital substitute. These treaties generally run for a period of several years and were concluded mainly in North America, Asia and continental Europe. They continued to be a key driver of our premium development in 2013 as well.

Our business is also being fuelled by the expanding primary insurance markets in Asia, a development that benefits us as reinsurers thanks to our strong market position there. In North America, premium development has been largely stable.

On the other hand, the weak economy in other important markets impacts our clients' business and hence us as well. This applies in particular to Europe.

Given that we write a large share of our business outside Europe, currency translation effects play a major part in the development of our premium. If exchange rates had remained unchanged, our premium income would have climbed by 0.8%.

Result

We are highly satisfied with our technical result of €209m (153m). It reflects the good performance of our business and pleasing claims experience in our core markets. The high-volume treaties concluded in recent years continued to contribute favourably to the result.

At €184m (180m), the investment result was slightly up on the first three months of 2012. We posted an increase in regular interest income from the deposits we retain on assumed reinsurance business.

Overall, we again achieved a very pleasing operating result and consolidated result.

Reinsurance – Property-casualty

Key figures

		Q1 2013	Q1 2012	Change
				%
Gross premiums written	€m	4,398	4,245	3.6
Share of gross premiums written in reinsurance	%	63.1	62.0	
Loss ratio	%	56.7	63.7	
Thereof: Major losses	Percentage points	2.6	6.3	
Expense ratio	%	29.0	30.9	
Combined ratio	%	85.7	94.6	
Operating result	€m	898	716	25.4
Consolidated result	€m	655	505	29.7

Premium

Gross premiums by division – Q1 2013

- **37% (35%)** Global Clients and North America
- **22% (24%)** Europe and Latin America
- **22% (20%)** Special and Financial Risks
- **19% (21%)** Germany, Asia Pacific and Africa

In property-casualty business, we recorded an increase in premium volume compared with the first quarter last year. Price increases in the segments recently affected by major losses, including natural catastrophe covers and marine business, had an especially positive effect on income. Rising premium volumes in US agricultural insurance also contributed to premium growth in the first quarter. By contrast, there was a reduction in our premium income in motor business, owing to the planned reduction in large-volume quota share treaties with a Chinese client. At unchanged exchange rates, premium volume would have increased by 4.6%.

The renewals at 1 January 2013 again took place in a very competitive market environment. The demand for reinsurance cover remained relatively stable overall, given the primary insurers' good level of capitalisation. Reinsurers provided more than enough capacity and prices generally moved sideways. Rate increases were only achieved in loss-affected regions and classes of business. This was particularly evident in marine insurance, following the losses from Windstorm Sandy and the Costa Concordia accident in 2012. In US natural hazards business, prices for loss-affected treaties rose. Price increases were also achieved in Latin America, but rates remained stable in Australia. Prices for credit and bonding business and natural hazards covers in Europe came under noticeable pressure. At 1 January, a premium volume of €9.2bn, a little more than half of our business in the property-casualty reinsurance segment, was up for renewal. Altogether, our premium volume was down slightly by €135m or 1.5%. Business that no longer met our return requirements was not renewed: we further reduced European property business for cycle-related reasons, for example. Overall, we were able to moderately increase the prices for our natural catastrophe business. Moreover, the persistently low interest-rate environment led to price increases in long-tail liability business. Altogether, we were able to again improve the profitability of our portfolio by around 0.5%. Munich Re is therefore adhering to its clear, profit-oriented underwriting policy and accepts risks only at commensurate prices, terms and conditions.

Result

The technical result for the first quarter of 2013 again showed a significant improvement of 62.1% to €882m (544m) year on year. The combined ratio for the first three months amounted to 85.7% (94.6%) of net earned premiums. We were thus well within our annual target of around 94% in the period under review.

As in the previous year, the burden from major losses in the first quarter was below the average volume to be expected. Overall expenditure for major losses totalled €106m (264m) after retrocession and before tax, equivalent to only 2.6% of net earned premiums.

Floods triggered by heavy rains in Queensland (eastern Australia) at the end of January in the wake of tropical storm Oswald are likely to result in claims expenditure in the mid double-digit million euro range.

The man-made claims included a satellite loss caused by the crash of its launch vehicle, which will cost us around €50m.

In addition to the comprehensive reassessment of provisions 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 reserving policy, the claims burden accounted for when an underwriting year's claims expenditure is first recorded tends to be higher. Consequently, positive result contributions are also possible in the period up to a claim's final settlement. As the claims reserves remained significantly above the level of losses reported, we made moderate reserve releases of close to €100m.

We achieved an investment result of €337m (510m) in the period from January to March 2013. The reduced figure was mainly attributable to lower capital gains on restructuring our fixed-interest securities and on the disposal of equities. By contrast, the result from derivatives improved.

Overall, our operating result and consolidated result were even higher than the very satisfying level posted for the same period last year.

Primary insurance

— Total premium volume of €4.9bn (5.0bn)
— Downward trend in life primary insurance
— Pleasing result in health insurance
— At 95.9% (95.3%), combined ratio for January to March somewhat higher year on year
— Investment result of €1.4bn slightly below previous year's figure (€1.5bn) due to development in unit-linked life insurance
— Good overall consolidated result of €127m (145m)

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

Primary insurance – Life

Key figures

		Q1 2013	Q1 2012	Change
				%
Total premium income[1]	€m	1,622	1,724	–5.9
Gross premiums written	€m	1,357	1,406	–3.5
Share of gross premiums written in primary insurance	%	29.2	29.9	
Operating result	€m	39	110	–64.5
Consolidated result	€m	32	86	–62.8

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

Premium

Our life insurers posted lower premium income overall in the period January to March 2013. In international business, our total premium volume decreased by 8.3% to €0.41bn (0.45bn). Especially in Austria, premium income reduced owing to the sluggish trend in single-premium business. In addition, sales through banks generated lower premium in Poland. Total premium volume in Germany came to €1.2bn (1.3bn), a decline of 5.1%. Single-premium income was down by 19.0%, especially from MaxiZins, our short-term-oriented capitalisation product. New regular-premium business also decreased, falling by 18.5% from January to March, partly because gender-based life insurance products could only be sold until 21 December 2012 (policy processing deadline). German new business showed a decline of 18.9%. In terms of the annual premium equivalent (APE), i.e. regular premium income plus one-tenth of single-premium volume, the fall in new business amounted to 18.6%. Outside Germany, new business decreased by 14.1% to €158m (184m). Measured in terms of APE, however, new business increased by 3.5% owing to pleasing growth in regular premium income (+11.6%), especially in Austria and Turkey. Gross premiums written were down by 3.2% to €1.0bn (1.1bn) for Germany and by 4.4% to €0.32bn (0.34bn) for international business.

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Result
The technical result amounted to –€21m (87m) for the period January to March 2013. The main reasons for this are the lower shareholder participation in profits compared with the first quarter last year and the change in deferred acquisition costs. The investment result for the period under review amounted to €1.0bn (1.1bn). This reduction, which was attributable to the fact that investments for unit-linked life insurance grew less strongly than last year, did not have any effect on the income statement. We sold fixed-interest securities to finance the allocation at year-end 2013 to the additional interest reserve provided for under German commercial law.

The reduced technical result was also the main reason for the adverse development of the operating result. Overall, the consolidated result was significantly lower than the excellent figure posted in the same period last year.

Primary insurance – Health

Key figures

		Q1 2013	Q1 2012	Change
				%
Gross premiums written	€m	1,432	1,457	–1.7
Share of gross premiums written in primary insurance	%	30.9	31.0	
Operating result	€m	51	33	54.5
Consolidated result	€m	25	16	56.3

Premium
Our premium volume in the health segment was €1.4bn (1.5bn) for the period under review (–1.7%). In supplementary health insurance, premiums grew by 4.6% year on year but fell by 2.7% in comprehensive health insurance, mainly owing to the fact that premium adjustments were not effected until 1 April in 2013 but were made as at 1 January in 2012. In the first quarter of 2013, new business in comprehensive health insurance was appreciably down on the same quarter last year (–27.0%). By contrast, new business in supplementary health insurance for the first three months of 2013 was slightly higher (+0.5%) than in the same period last year. In travel insurance, which we account for in the health segment and operate in Germany and abroad, we registered a decline in premium volume of 11.0% for the period January to March 2013 owing to our risk- and profit-oriented underwriting policy and the difficult economic situation in Europe.

Result
Our technical result amounted to €101m (79m) in the first quarter of the year, benefiting from lower allocations to the provision for premium refunds (RfB). The investment result increased slightly to €329m (321m) owing to somewhat higher gains on disposal and stable regular income.

Overall, we posted a significantly higher operating result and consolidated result.

Primary insurance – Property-casualty

Key figures

		Q1 2013	Q1 2012	Change
				%
Gross premiums written	€m	1,854	1,835	1.0
Share of gross premiums written in primary insurance	%	39.9	39.1	
Loss ratio	%	61.1	60.4	
Expense ratio	%	34.8	34.9	
Combined ratio	%	95.9	95.3	
Operating result	€m	133	114	16.7
Consolidated result	€m	70	43	62.8

Premium

Premium income showed a 1.0% rise in the first quarter. In our domestic market of Germany, we increased our premium volume by 2.7% to €1.3bn (1.2bn). As usual, developments in the individual classes of business differed considerably. Commercial and industrial business grew by 2.3%. Personal lines property business showed marginal premium growth of 1.2%, while motor insurance expanded by 5.5%. In personal accident insurance, there was a decrease of 1.8%, reflecting the fact that we have discontinued selling personal accident insurance with premium return and are now focusing on personal accident covers without a savings component. Premium volume in legal protection insurance also reduced somewhat (–1.0%). The figure for international property-casualty insurance was adversely affected by the sale of our South Korean subsidiary ERGO Daum Direct General Insurance Co. Ltd (ERGO Daum), whose premium income had been included in the first quarter of 2012. International legal protection business saw an appreciable rise of 24.0% in gross premiums written, especially due to growth in the United Kingdom.

Result

At €95m (97m), the technical result for the first quarter of 2013 was at a good level. The combined ratio amounted to 95.9% (95.3%). In international business, the combined ratio dropped below the 100% mark, improving to 99.2% (101.3%). While the expense ratio remained relatively stable, the improvement was largely attributable to the claims situation, the most notable factor being the more favourable claims experience in Turkey. Our result enhancement measures are bearing fruit and clearly reflected in the figures. In German business, the combined ratio amounted to a favourable 93.9% (91.3%).

The investment result rose year on year from €82m to €110m, mainly due to a better result from disposals.

The operating result and the consolidated result both increased significantly.

Munich Health

— At €1.67bn (1.68bn), gross premium income slightly below previous-year level
— Marginally improved combined ratio of 99.4% (99.5%)
— Increased investment result of €54m (33m)
— Improved consolidated result of €37m (5m)

Key figures

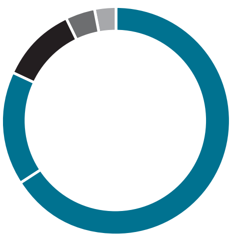
		Q1 2013	Q1 2012	Change
				%
Gross premiums written	€m	1,674	1,680	-0.4
Loss ratio[1]	%	79.5	80.2	
Expense ratio[1]	%	19.9	19.3	
Combined ratio[1]	%	99.4	99.5	
Operating result	€m	48	32	50.0
Consolidated result	€m	37	5	640.0

1 Excluding business conducted like life insurance.

With the exception of the German health insurers belonging to ERGO, Munich Re's global healthcare insurance and reinsurance expertise is combined under the Munich Health brand. At 26 locations worldwide, we offer our international clients innovative insurance solutions and individual consultancy and services.

Premium

Gross premiums by market region – Q1 2013



Gross premiums written saw a slight decrease year on year. In reinsurance, the decline by 0.8% to €1.1bn (1.2bn) was mainly attributable to adverse effects from the exchange rate of the Canadian dollar. In primary insurance, the premium income from our European companies grew by 5.7% to €0.35bn (0.33bn) overall. US Medicare business transacted by Windsor Health Group (WHG) showed a decline of 9.1% in premium income after WHG's loss-producing business with cost reimbursement products had been discontinued. If exchange rates had remained the same overall, Munich Health's gross premiums would have increased by 1.1%.

Result

At €13m (12m), the technical result remained stable compared with the first quarter of 2012.

The combined ratio for the period from January to March was 99.4% (99.5%). This ratio relates only to short-term health business, not to business conducted like life insurance, which made up 8.1% (7.9%) of gross premiums written in the first three months.

In reinsurance, the combined ratio amounted to 98.8% (98.5%).

In primary insurance, the combined ratio was 101.0% (102.6%). The improvement is due to our US Medicare business, which has benefited from the termination of business with pure cost reimbursement products. In the first quarter of 2013, Munich Health posted a loss of €15m (19m). In the meantime, extensive and fundamental measures have been taken at WHG to significantly improve the result situation.

In the first three months of the year, we posted an investment result of €54m (33m), an appreciable increase on the same period last year owing to high gains on disposals in the first quarter of 2013.

Overall, the operating result and consolidated result showed an increase.

Investment performance

— Increase in market value of our portfolio to €226.8bn (224.5bn) due to new investments and foreign-exchange effects
— Rising interest-rate level on long-term German and US government bonds leads to falling valuation reserves in the portfolio as a whole
— Investment result of €2.0bn (2.2bn) in the first quarter

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. Volatilities on the markets result in changes in the values of derivatives, which under IFRS accounting we recognise in profit or loss.

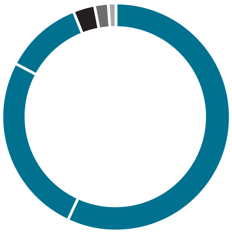
Investment mix

			Reinsurance			
		Life		Property-casualty		Life
€m	31.3.2013	31.12.2012	31.3.2013	31.12.2012	31.3.2013	31.12.2012
Land and buildings, including buildings on third-party land	264	245	1,227	1,224	1,383	1,393
Investments in affiliated companies	20	20	92	89	23	22
Investments in associates	1	1	671	686	111	110
Loans	19	18	52	52	35,841	34,977
Other securities held to maturity	–	–	–	–	6	7
Other securities available for sale						
Fixed-interest	14,642	14,376	49,765	49,933	34,052	35,101
Non-fixed-interest	1,114	1,023	5,265	4,718	2,270	2,050
Other securities at fair value through profit or loss						
Held for trading						
Fixed-interest	–	–	627	644	58	58
Non-fixed-interest	–	–	35	32	–	–
Derivatives	615	605	397	366	961	947
Designated as at fair value through profit or loss						
Fixed-interest	–	–	–	–	164	167
Non-fixed-interest	–	–	–	–	2	2
Deposits retained on assumed reinsurance	7,141	7,240	1,243	1,181	144	147
Other investments	332	242	1,528	1,142	596	583
Investments for the benefit of life insurance policyholders who bear the investment risk	–	–	–	–	6,208	5,957
Total	**24,148**	**23,770**	**60,902**	**60,067**	**81,819**	**81,521**

			Primary insurance			Munich Health		Asset management		Total
		Health		Property-casualty						
	31.3.2013	31.12.2012	31.3.2013	31.12.2012	31.3.2013	31.12.2012	31.3.2013	31.12.2012	31.3.2013	31.12.2012
	772	777	93	95	9	30	66	67	3,814	3,831
	11	12	39	40	1	2	9	9	195	194
	141	139	179	174	93	91	62	72	1,258	1,273
	17,574	17,138	2,236	2,210	22	23	–	–	55,744	54,418
	–	–	–	–	–	–	–	–	6	7
	14,729	14,664	5,772	5,612	3,056	3,436	1,059	377	123,075	123,499
	946	928	875	736	42	166	69	76	10,581	9,697
	–	–	–	–	–	–	–	–	685	702
	–	–	–	–	1	1	–	–	36	33
	117	155	18	22	1	16	–	–	2,109	2,111
	–	–	–	–	–	–	–	–	164	167
	–	–	–	–	–	–	–	–	2	2
	1	1	5	4	375	394	–	–	8,909	8,967
	36	82	305	594	127	66	524	255	3,448	2,964
	–	–	–	–	1	1	–	–	6,209	5,958
	34,327	**33,896**	**9,522**	**9,487**	**3,728**	**4,226**	**1,789**	**856**	**216,235**	**213,823**

Distribution of investments by type

Total: €216bn (214bn)



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 2013, the market value of our investments amounted to €226.8bn (224.5bn).

In the first quarter of 2013, the interest-rate level for investments with very long residual terms in Germany and the US rose again somewhat for the first time in a long period, and risk spreads for France and Austria widened. Both of these factors had a negative effect on the market values of our fixed-interest securities, especially on government bonds and covered bonds with high credit ratings. However, new investments made primarily due to our greater business volume, and changes in the market value of our non-fixed-interest securities, were able to compensate for this fall. The development of global exchange rates – and particularly the weakening of the euro against the US dollar – also led to a small improvement in market values.

In the period under review, we reduced the share of government bonds and covered bonds in our portfolio to some extent and invested more in corporate bonds and equities. At the end of the first quarter, our holdings in cash and cash equivalents including our short-term investments increased because we only partially reinvested inflows of funds – especially in primary insurance.

The development of risk spreads on fixed-interest securities was varied in the first quarter: those on covered bonds and some government bonds rose, whereas those for corporate bonds remained stable compared with their level at year-end 2012. Our on- and off-balance-sheet unrealised gains and losses (excluding owner-occupied property), which would be posted as profits upon disposal of the relevant investments, fell from €22.5bn at 31 December 2012 to €21.8bn at 31 March 2013. By consciously refraining from portfolio restructurings in fixed-interest securities, we maintained the bulk of our valuation reserves.

Other securities available for sale

€m	Carrying amounts 31.3.2013	Carrying amounts 31.12.2012	On-balance-sheet unrealised gains and losses 31.3.2013	On-balance-sheet unrealised gains and losses 31.12.2012	At amortised cost 31.3.2013	At amortised cost 31.12.2012
Fixed-interest	123,075	123,499	9,161	9,980	113,914	113,519
Non-fixed-interest	10,581	9,697	1,774	1,503	8,807	8,194
Total	**133,656**	**133,196**	**10,935**	**11,483**	**122,721**	**121,713**

Off-balance-sheet unrealised gains and losses

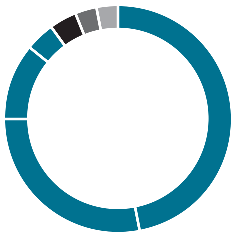
€m	Fair values 31.3.2013	Fair values 31.12.2012	Off-balance-sheet unrealised gains and losses 31.3.2013	Off-balance-sheet unrealised gains and losses 31.12.2012	Carrying amounts 31.3.2013	Carrying amounts 31.12.2012
Land and buildings[1]	8,094	8,048	1,900	1,826	6,194	6,222
Associates	1,663	1,621	421	364	1,242	1,257
Loans	64,357	63,248	8,613	8,830	55,744	54,418
Other securities	6	8	–	1	6	7
Tangible assets in renewable energies	489	500	2	–	487	500
Total	**74,609**	**73,425**	**10,936**	**11,021**	**63,673**	**62,404**

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[1]

Total: €196bn (194bn)



- **47% (48%)** Government bonds[2]
  Thereof: 8% (7%) Inflation-linked bonds
- **28% (28%)** Pfandbriefs/Covered bonds
- **11% (10%)** Corporate bonds
- **4% (4%)** Cash/Other
- **4% (4%)** Structured products (credit structures)
- **3% (3%)** Banks
- **3% (3%)** Policy and mortgage loans

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

Nearly half our portfolio of fixed-interest investments comprises government bonds, the vast majority of which are from countries with a high credit rating. Pursuing our risk-conscious investment policy, we have reduced our investments in southern European government bonds considerably and continually since 2011. We no longer have any government bonds from Portugal, Greece or Cyprus in our portfolio. Only around 3% of our government bonds are now from Italy, with a further 1% from both Ireland and Spain. These bonds are held almost entirely by our primary insurers. Some of our US and French government bonds matured during the first quarter and were not renewed. In line with the additional sale of British and Canadian government bonds, our holdings of government bonds reduced somewhat to approx. 47% (48%) of our portfolio of fixed-interest securities. We only made new investments on a small scale.

In addition, our portfolio of covered bonds shrank. Above all, we cut back on German pfandbriefs by not reinvesting after they reached maturity, but our overall portfolio nevertheless continues to be dominated by German pfandbriefs. In 2012, we had already markedly pruned back our portfolio of Spanish covered bonds. It is held almost entirely by our primary insurers and still accounted for some 5% of our covered bonds at the reporting date.

Fixed-interest securities: Bank bonds[1]

%	31.3.2013	31.12.2012
Senior bonds	83	82
Loss-bearing bonds	6	6
Subordinated bonds	11	12

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 investments in bank bonds to only 3% of our portfolio of fixed-interest securities. Approximately 5% (5%) of our bank bond portfolio relates to southern European and Irish issuers.

Corporate bonds from other industries account for 11% (10%) of our interest-bearing investments, our exposure being increased by a further percentage point through credit derivatives. We marginally expanded the share of our portfolio made up by these corporate bonds via new investments in the first quarter of 2013, focusing chiefly on issuers in the industrial goods and technology sectors. Market value losses owing to the slightly higher interest-rate level in the USA had a decreasing effect on our portfolio, but were more than offset by currency exchange rates changing in our favour.

In the current environment of low interest rates and pronounced uncertainty on the capital markets, our active duration management also helps reduce risk. Although the average terms of fixed-interest investments exceed those of liabilities in reinsurance, the terms of fixed-interest items in primary insurance are shorter than those of liabilities. On balance, this diversification through opposite positions allows us to reduce the interest-rate risk for the Group as a whole.

The carrying amount of our equity portfolio (before taking derivatives into account, and including investments in affiliated companies and associates at market value) grew somewhat in the first quarter of 2013. It came to 4.0% (3.7%). As in 2012, we again disposed of large portions of the derivatives used to hedge our equity portfolio in the first quarter of 2013. Including the remaining hedges, our equity ratio was 3.9% (3.4%). Besides this, we are protecting ourselves against accelerated inflation in an environment of continuing low interest rates. Inflation-linked bonds with a volume of €7.1bn (6.8bn) and inflation-linked swaps for a notional amount of €5.6bn (5.2bn), real assets like shares, property and commodities, and investments in renewable energies and infrastructure also have a positive diversification effect on the overall portfolio.

Investment result

	Q1 2013	Return[1]	Q1 2012	Return[1]
	€m	%	€m	%
Regular income	1,806	3.2	1,889	3.6
Write-ups/write-downs	–103	–0.2	–179	–0.3
Net realised capital gains	324	0.6	372	0.7
Other income/expenses	–20	0.0	162	0.3
Total	**2,007**	**3.6**	**2,244**	**4.3**

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

Investment result by type of investment

	Q1 2013	Q1 2012	Change
	€m	€m	%
Real estate	62	99	–37.4
Investments in affiliated companies	–4	2	–
Investments in associates	–9	–2	–350.0
Mortgage loans and other loans	662	595	11.3
Other securities	1,207	1,305	–7.5
Deposits retained on assumed reinsurance, and other investments	74	61	21.3
Investments for the benefit of life insurance policyholders who bear the investment risk	137	292	–53.1
Expenses for the management of investments, other expenses	122	108	13.0
Total	**2,007**	**2,244**	**–10.6**

Regular income

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

Write-ups and write-downs

In the write-ups and write-downs of our investments, we posted net write-downs of €103m (179m), in particular on our interest-rate derivatives and swaptions. Swaptions are used in hedging long-term interest-rate guarantees extended to life insurance clients. Commodity derivatives, which primarily include derivatives on oil and on gold, required write-downs, as did our portfolio of physical gold.

Overall, write-downs were lower than in the previous year. This was due to our portfolio of equity derivatives being smaller in the current financial year, and to the upward movement of the equity markets having been greater in the first quarter of the previous year. Rising equity markets increase the market value of our equity holdings while that of derivatives held as hedging instruments falls. If we do not sell derivatives, the changes in their market value are reflected in the net balance from write-ups and write-downs. Changes in the market value of equities, however, are recognised directly in equity capital and are only included in the result when sold.

Realised gains/losses on investments

In the first quarter of the 2013 financial year, we posted net gains on disposal of €324m (372m) through active asset management, primarily from gains realised on our portfolio of fixed-interest securities, most notably on government bonds. We realised the largest share of gains in life primary insurance to finance the allocation to the additional interest reserve.

We also benefited from positive past market trends when realising gains in the restructuring of equities. By contrast, we posted losses on the disposal of fixed-interest derivatives, the largest portion on interest-rate swaps.

Insurance derivatives

Insurance derivatives

	31.3.2013	31.12.2012	Change
	€m	€m	%
Insurance derivatives in investments	533	532	0.2
Liabilities from insurance derivatives	422	461	–8.5
	Q1 2013	Q1 2012	Change
	€m	€m	%
Result from insurance derivatives	–4	–13	69.2

Under insurance derivatives, we subsume the derivative components of natural catastrophe bonds and of securitisations of mortality and morbidity risks, individually structured insurance derivatives, and derivative components separated from their host contract. This category also includes embedded derivatives in variable annuities and their derivative hedging instruments. All income and expenditure arising from our insurance derivatives is shown as a result from derivatives in the investment result. Insurance derivatives contributed around –€4m (–13m) to the investment result in the period under review.

Asset management for clients

MEAG MUNICH ERGO AssetManagement GmbH (MEAG) is the asset manager of Munich Re. In addition to its asset management function for the Group, MEAG also offers its expertise to private and institutional clients.

The assets managed by PICC Asset Management Company Ltd. (PAMC), Shanghai, 81% of which belongs to PICC People's Insurance Company of China, and 19% to MEAG, reached €47.7bn (45.1bn).

Assets under management for third parties

	31.3.2013	31.12.2012	Change
	€bn	€bn	%
Third-party investments	12.0	11.5	4.6
Thereof: External institutional investors	9.6	9.3	4.5
Thereof: Private-client business	2.4	2.2	5.2
	Q1 2013	Q1 2012	Change
	€m	€m	%
Group asset management result	–12	–2	–500.0

Prospects

— Forecasts largely unchanged from the statements made in the 2012 Annual Report
— Premium income in the range of €50–52bn expected
— Anticipated return on investment of around 3.3%
— Profit guidance of close to €3bn for 2013 still valid

Our expectations for the future are based primarily on planning figures, forecasts and expectations, 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 in 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. In particular, given our current economically well-balanced position, a rising interest-rate level will initially tend to lead to lower results, and falling interest rates to higher results, than those forecast in these prospects. Net gains or losses on the disposal of derivatives used by us as hedging instruments and/or for fine-tuning investments can influence the result, as can alterations in their market value. Changes in exchange rates influence our premium income and result in different directions, depending on which foreign currencies are affected, although economically speaking we do not have any major open currency items on our books.

Business environment

There are many indications that the global economy will continue to pick up in the course of the year. However, the sovereign debt and banking crisis in the eurozone is currently still overshadowing the outlook for global economic development. The world economy is further threatened by possible drastic fiscal policy impacts in the USA or international conflicts in East Asia and the Middle East. Given the subdued economic situation and high unemployment figures in many industrialised countries, it is likely that monetary policy will remain expansionary, which could result in asset price bubbles and medium-term inflation risks.

Reinsurance

Reinsurance continues to hold considerable promise for the future, with a wide variety of earnings opportunities for us. Munich Re offers its cedants specialist consulting services and extensive solutions, also for tasks such as balance sheet management, risk modelling and asset-liability management. Reinsurance is an efficient and flexible option for protecting primary insurers against major claims and accumulation losses, or strengthening their capital base. In addition to this, we devise innovative coverage concepts that go beyond the scope of traditional reinsurance. And we partner our clients in the often challenging task of adjusting to changes in regulatory requirements, which will be altered significantly in many countries in the coming years.

We see further good growth opportunities in life reinsurance. Opportunities will also 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 also see increasing demand for the management of investment risks in life insurance portfolios. We provide our clients with comprehensive solutions for hedging options and guarantees dependent on the capital markets, which we transfer to the capital markets by means of intelligent constructions.

For 2013, we expect gross premiums written of just above €10bn and a technical result of over €400m.

In 2010, we set ourselves the objective of achieving value added by new business of €450m a year by 2015 based on Market Consistent Embedded Value (MCEV) Principles. With our very good results in recent years, we see ourselves as well positioned to reach this goal.

In property-casualty reinsurance, which is traditionally exposed to market cycles and natural 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.

At 1 April 2013, a volume of around €1.0bn, or 6% of the overall portfolio, was up for renewal in the property-casualty reinsurance segment. Some 38% of this concerned the markets of Japan and Korea, and another 35% North America and Global Clients. Furthermore, at slightly over 40%, natural catastrophe business accounted for a high percentage of this volume. Overall, prices moved sideways at a high level. This also applied to Japan, despite an increased supply of capacity from new market players and those already established. We kept the profitability of our portfolio constant, with a slightly reduced premium volume.

The renewals at 1 July 2013 will chiefly concern treaty business in the US market, Australia, New Zealand and Latin America. Munich Re expects rates to fall marginally for natural catastrophe covers in the USA due to a growth in capacity, partly from capital providers new to the market. Apart from this, prices should remain stable.

For 2013, we anticipate gross premiums written of just under €17bn in property-casualty reinsurance. We aim for a combined ratio of around 94% of net earned premiums, including the run-off of loss reserves for prior accident years. If the incidence of major losses remains within the expected range in the further course of the year, we would probably even better this target.

Gross premiums in reinsurance should be in the range of around €27bn overall in 2013. We project that the consolidated result for 2013 in reinsurance will total between €2.3bn and €2.5bn.

Primary insurance

We see good opportunities not only in evolving foreign markets but also in various sectors of our German domestic market. For 2013, we expect premium development in the individual segments to be varied.

In life primary insurance, our total premium income is likely to be below the previous year's level at just over €7bn, with gross premiums written totalling somewhat more than €5.5bn. It should be borne in mind in this regard that developments in German and international business strongly depend on single-premium business with its volatile premium income. The planned mid-year introduction of our new product is very important for the development of our life insurance business. With guarantees safeguarded through intra-Group reinsurance, it provides not only security but also attractive return prospects and high flexibility.

In the health primary insurance segment, the premium adjustments for our business in force as at 1 April 2013 were somewhat more significant than in the previous year. The prices for new business with the new unisex products have also risen appreciably, partly as a result of the reduction in the actuarial interest rate. This is likely to have an adverse impact on the ability to attract new clients, as could the political debate on private health insurance. In supplementary health insurance, we expect further growth, partly owing to the introduction of subsidised long-term care insurance. We therefore anticipate a slight overall increase in gross premiums written to just under €6bn.

In property-casualty insurance, we project that gross premiums written will total around €5.5bn, some €3.3bn of this deriving from German business, where we aim to achieve moderate growth. We continue to attach great importance to risk-commensurate prices, which in our business with commercial and industrial clients are not always attainable in the current market environment. We see potential for improvement in German motor insurance. In international business, gross premiums written should be roughly at the same level as in last year, adjusted for the premium income from ERGO Daum in South Korea, which was sold in 2012, a year in which it contributed €105m to consolidated premium income. The combined ratio is likely to be around 95%.

We anticipate that total premium income in primary insurance will be just under €18.5bn in 2013, while gross premiums written are likely to be slightly below €17bn.

For the primary insurance segment, we project a consolidated result in the range of €400–500m, and €350–450m for the ERGO Group in 2013. The difference between the two figures is mainly attributable to intra-Group transactions between primary insurance and reinsurance.

Munich Health

There are a host of growth avenues in the international healthcare markets, in particular due to advances in medicine and the related costs, and to improved life expectancy. We intend to utilise these opportunities, despite the deterioration of the medium-term earnings situation of WHG's US Medicare business.

In reinsurance, we expect growth as a result of our clients' increasing numbers of insureds and a rise in demand for non-traditional reinsurance solutions (e.g. capital substitute solutions).

We anticipate that gross premiums written will amount to somewhat more than €6.5bn in 2013. The combined ratio is likely to be around 100%. In view of the ongoing restructuring, WHG will probably again post a loss for 2013. A further loss for the Munich Health segment therefore still cannot be ruled out at present.

Munich Re (Group)

We expect that the Group's gross premiums written for 2013 will be in the range of €50–52bn.

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 2013 is that Munich Re will post a technical result of the same level as in 2012.

Given the low market interest-rate level, the investment return is expected to be below the previous year's figure of €8.4bn, meaning that the return based on the growing average fair values of our investments will be well below the 3.9% achieved in 2012. Also, the return of 3.6% posted in the first quarter of 2013 cannot be extrapolated to the year as a whole because we project lower gains on the disposal of investments in the remaining three quarters. For 2013, we currently anticipate a total return on our investments of around 3.3%.

Overall, we are still aiming for a profit of close to €3bn.

In April, our shareholders benefited from the dividend payout for 2012 totalling €1.26bn, or €7.00 per share. Moreover, on 25 April 2013, we called our subordinated bond 2003/2023 for early redemption at 21 June 2013. It has a nominal volume outstanding of nearly €1bn.

The statements relating to opportunities and risks as presented in the Munich Re Group Annual Report 2012 naturally apply unchanged.

Interim consolidated financial statements
Consolidated balance sheet as at 31 March 2013

Assets

			31.3.2013	31.12.2012		Change
	€m	€m	€m	€m	€m	%
A. Intangible assets						
I. Goodwill		3,413		3,376	37	1.1
II. Other intangible assets		1,459		1,518	–59	–3.9
			4,872	**4,894**	**–22**	**–0.4**
B. Investments						
I. Land and buildings, including buildings on third-party land		3,814		3,831	–17	–0.4
II. Investments in affiliated companies and associates		1,453		1,467	–14	–1.0
Thereof: Associates accounted for using the equity method		1,242		1,257	–15	–1.2
III. Loans		55,744		54,418	1,326	2.4
IV. Other securities						
1. Held to maturity	6			7	–1	–14.3
2. Available for sale	133,656			133,196	460	0.3
3. At fair value through profit or loss	2,996			3,015	–19	–0.6
		136,658		136,218	440	0.3
V. Deposits retained on assumed reinsurance		8,909		8,967	–58	–0.6
VI. Other investments		3,448		2,964	484	16.3
			210,026	**207,865**	**2,161**	**1.0**
C. Investments for the benefit of life insurance policyholders who bear the investment risk			**6,209**	**5,958**	**251**	**4.2**
D. Ceded share of technical provisions			**5,639**	**5,730**	**–91**	**–1.6**
E. Receivables						
I. Current tax receivables		674		572	102	17.8
II. Other receivables		11,596		11,475	121	1.1
			12,270	**12,047**	**223**	**1.9**
F. Cash at bank, cheques and cash in hand			**3,063**	**2,860**	**203**	**7.1**
G. Deferred acquisition costs						
Gross		9,196		9,256	–60	–0.6
Ceded share		66		74	–8	–10.8
Net			9,130	9,182	–52	–0.6
H. Deferred tax assets			**6,289**	**6,219**	**70**	**1.1**
I. Other assets			**3,501**	**3,605**	**–104**	**–2.9**
Total assets			**260,999**	**258,360**	**2,639**	**1.0**

Equity and liabilities

		31.3.2013	31.12.2012		Change
	€m	€m	€m	€m	%
A. Equity					
I. Issued capital and capital reserve[1]	7,433		7,421	12	0.2
II. Retained earnings[1]	14,286		10,915	3,371	30.9
III. Other reserves	5,679		5,650	29	0.5
IV. Consolidated result attributable to Munich Reinsurance Company equity holders	972		3,195	–2,223	–69.6
V. Non-controlling interests	250		242	8	3.3
		28,620	**27,423**	**1,197**	**4.4**
B. Subordinated liabilities		**5,447**	**5,504**	**–57**	**–1.0**
C. Gross technical provisions					
I. Unearned premiums	8,937		8,134	803	9.9
II. Provision for future policy benefits	110,012		109,769	243	0.2
III. Provision for outstanding claims	54,090		53,751	339	0.6
IV. Other technical provisions	13,998		13,935	63	0.5
		187,037	**185,589**	**1,448**	**0.8**
D. Gross technical provisions for life insurance policies where the investment risk is borne by the policyholders		**6,521**	**6,258**	**263**	**4.2**
E. Other accrued liabilities		**4,397**	**4,425**	**–28**	**–0.6**
F. Liabilities					
I. Bonds and notes issued	266		259	7	2.7
II. Deposits retained on ceded business	2,854		2,947	–93	–3.2
III. Current tax liabilities	3,938		3,931	7	0.2
IV. Other liabilities	13,030		13,240	–210	–1.6
		20,088	**20,377**	**–289**	**–1.4**
G. Deferred tax liabilities		**8,889**	**8,784**	**105**	**1.2**
Total equity and liabilities		**260,999**	**258,360**	**2,639**	**1.0**

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

Consolidated income statement
1 January to 31 March 2013

Items

			Q1 2013	Q1 2012[1]		Change
	€m	€m	€m	€m	€m	%
Gross premiums written	**13,284**			**13,222**	**62**	**0.5**
1. Earned premiums						
Gross	12,500			12,731	-231	-1.8
Ceded	404			364	40	11.0
Net		12,096		12,367	-271	-2.2
2. Income from technical interest		**1,841**		**1,987**	**-146**	**-7.3**
3. Expenses for claims and benefits						
Gross	9,748			10,453	-705	-6.7
Ceded share	168			220	-52	-23.6
Net		9,580		10,233	-653	-6.4
4. Operating expenses						
Gross	3,138			3,209	-71	-2.2
Ceded share	60			60	–	–
Net		3,078		3,149	-71	-2.3
5. Technical result (1–4)			**1,279**	**972**	**307**	**31.6**
6. Investment result						
Investment income	3,043			3,686	-643	-17.4
Investment expenses	1,036			1,442	-406	-28.2
Total		**2,007**		**2,244**	**-237**	**-10.6**
Thereof: Income from associates accounted for using the equity method		-9		-2	-7	-350.0
7. Other operating income		**160**		**159**	**1**	**0.6**
8. Other operating expenses		**217**		**186**	**31**	**16.7**
9. Deduction of income from technical interest		**-1,841**		**-1,987**	**146**	**7.3**
10. Non-technical result (6–9)			**109**	**230**	**-121**	**-52.6**
11. Operating result (5 + 10)			**1,388**	**1,202**	**186**	**15.5**
12. Other non-operating result			**110**	**-195**	**305**	**–**
13. Impairment losses of goodwill			**–**	**–**	**–**	**–**
14. Net finance costs			**-68**	**-66**	**-2**	**-3.0**
15. Taxes on income			**451**	**159**	**292**	**183.6**
16. Consolidated result (11–15)			**979**	**782**	**197**	**25.2**
Thereof: Attributable to Munich Reinsurance Company equity holders			972	780	192	24.6
Attributable to non-controlling interests			7	2	5	250.0
			€	€	€	%
Earnings per share			**5.43**	**4.39**	**1.04**	**23.7**

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

Consolidated income statement (quarterly breakdown)

Items

	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
	€m	€m	€m	€m	€m
Gross premiums written	**13,284**	**12,931**	**13,211**	**12,605**	**13,222**
1. Earned premiums					
Gross	12,500	13,332	13,321	12,805	12,731
Ceded	404	383	588	355	364
Net	12,096	12,949	12,733	12,450	12,367
2. Income from technical interest	**1,841**	**1,644**	**1,866**	**1,421**	**1,987**
3. Expenses for claims and benefits					
Gross	9,748	10,407	10,528	10,449	10,453
Ceded share	168	199	203	224	220
Net	9,580	10,208	10,325	10,225	10,233
4. Operating expenses					
Gross	3,138	3,311	3,378	3,008	3,209
Ceded share	60	-30	233	93	60
Net	3,078	3,341	3,145	2,915	3,149
5. Technical result (1–4)	**1,279**	**1,044**	**1,129**	**731**	**972**
6. Investment result					
Investment income	3,043	3,040	3,621	3,677	3,686
Investment expenses	1,036	875	1,400	1,871	1,442
Total	**2,007**	**2,165**	**2,221**	**1,806**	**2,244**
Thereof: Income from associates accounted for using the equity method	-9	70	12	2	-2
7. Other operating income	**160**	**315**	**171**	**234**	**159**
8. Other operating expenses	**217**	**268**	**221**	**248**	**186**
9. Deduction of income from technical interest	**-1,841**	**-1,644**	**-1,866**	**-1,421**	**-1,987**
10. Non-technical result (6–9)	**109**	**568**	**305**	**371**	**230**
11. Operating result (5 + 10)	**1,388**	**1,612**	**1,434**	**1,102**	**1,202**
12. Other non-operating result	**110**	**-597**	**-2**	**-42**	**-195**
13. Impairment losses of goodwill	**–**	**118**	**17**	**5**	**–**
14. Net finance costs	**-68**	**-75**	**-77**	**-79**	**-66**
15. Taxes on income	**451**	**341**	**202**	**164**	**159**
16. Consolidated result (11–15)	**979**	**481**	**1,136**	**812**	**782**
Thereof: Attributable to Munich Reinsurance Company equity holders	972	477	1,130	808	780
Attributable to non-controlling interests	7	4	6	4	2
	€	€	€	€	€
Earnings per share	**5.43**	**2.69**	**6.36**	**4.54**	**4.39**

Statement of recognised income and expense
1 January to 31 March 2013

€m		Q1 2013	Q1 2012
Consolidated result		**979**	**782**
I. Items where income and expenses recognised directly in equity are reallocated to the consolidated income statement.			
Currency translation			
Gains (losses) recognised in equity	211		–235
Recognised in the consolidated income statement	–		–
Unrealised gains and losses on investments			
Gains (losses) recognised in equity	115		755
Recognised in the consolidated income statement	–290		–204
Change resulting from valuation at equity			
Gains (losses) recognised in equity	–12		34
Recognised in the consolidated income statement	–		–
Change resulting from cash flow hedges			
Gains (losses) recognised in equity	–1		–
Recognised in the consolidated income statement	–		–
Other changes	–		1
II. Items where income and expenses recognised directly in equity are not reallocated to the consolidated income statement			
Remeasurements on defined benefit plans	89		25
Other changes	–		–
Income and expense recognised directly in equity (I + II)		**112**	**376**
Total recognised income and expense		**1,091**	**1,158**
Thereof:			
Attributable to Munich Reinsurance Company equity holders		1,082	1,151
Attributable to non-controlling interests		9	7

Group statement of changes in equity

€m	Issued capital	Capital reserve[1]
Status at 31.12.2011	**588**	**6,831**
Allocation to retained earnings	–	–
Consolidated result	–	–
Income and expense recognised directly in equity	–	–
Currency translation	–	–
Unrealised gains and losses on investments	–	–
Change resulting from valuation at equity	–	–
Change resulting from cash flow hedges	–	–
Remeasurements on defined benefit plans	–	–
Other changes	–	–
Total recognised income and expense	–	–
Change in shareholdings in subsidiaries	–	–
Change in consolidated group	–	–
Dividend	–	–
Purchase/sale of own shares	–	–
Retirement of own shares	–	–
Status at 31.3.2012	**588**	**6,831**
Status at 31.12.2012	**585**	**6,836**
Allocation to retained earnings	–	–
Consolidated result	–	–
Income and expense recognised directly in equity	–	–
Currency translation	–	–
Unrealised gains and losses on investments	–	–
Change resulting from valuation at equity	–	–
Change resulting from cash flow hedges	–	–
Remeasurements on defined benefit plans	–	–
Other changes	–	–
Total recognised income and expense	–	–
Change in shareholdings in subsidiaries	–	–
Change in consolidated group	–	–
Dividend	–	–
Share buy-backs	3	9
Purchase/sale of own shares	–	–
Status at 31.3.2013	**588**	**6,845**

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

Equity attributable to Munich Reinsurance Company equity holders						Non-controlling interests	Total equity
Retained earnings[1]			Other reserves		Consolidated result		
Retained earnings before deduction of own shares	Own shares held	Unrealised gains and losses	Reserve from currency translation	Valuation result from cash flow hedges			
11,727	**–170**	**3,603**	**–223**	**4**	**702**	**247**	**23,309**
702	–	–	–	–	–702	–	–
–	–	–	–	–	780	2	782
33	–	550	–235	23	–	5	376
–	–	–	–235	–	–	–	–235
–	–	546	–	–	–	5	551
7	–	4	–	23	–	–	34
–	–	–	–	–	–	–	–
25	–	–	–	–	–	–	25
1	–	–	–	–	–	–	1
33	–	550	–235	23	780	7	1,158
–10	–	–	–	–	–	–33	–43
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–1	–1
–	3	–	–	–	–	–	3
–	–	–	–	–	–	–	–
12,452	**–167**	**4,153**	**–458**	**27**	**780**	**220**	**24,426**
10,992	**–77**	**5,946**	**–292**	**–4**	**3,195**	**242**	**27,423**
3,195	–	–	–	–	–3,195	–	–
–	–	–	–	–	972	7	979
81	–	–176	210	–5	–	2	112
–	–	–	210	–	–	1	211
–	–	–176	–	–	–	1	–175
–8	–	–	–	–4	–	–	–12
–	–	–	–	–1	–	–	–1
89	–	–	–	–	–	–	89
–	–	–	–	–	–	–	–
81	–	–176	210	–5	972	9	1,091
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–1	–1
23	72	–	–	–	–	–	107
–	–	–	–	–	–	–	–
14,291	**–5**	**5,770**	**–82**	**–9**	**972**	**250**	**28,620**

Condensed consolidated cash flow statement
1 January to 31 March 2013

€m	Q1 2013	Q1 2012
Consolidated result	**979**	**782**
Net change in technical provisions	1,610	941
Change in deferred acquisition costs	52	78
Change in deposits retained and accounts receivable and payable	–152	330
Change in other receivables and liabilities	64	–489
Gains and losses on the disposal of investments	–324	–372
Change in securities at fair value through profit or loss	–148	2
Change in other balance sheet items	172	121
Other income/expenses without impact on cash flow	156	–99
I. Cash flows from operating activities	2,409	1,294
Change from losing control of consolidated subsidiaries	–	23
Change from obtaining control of consolidated subsidiaries	–	–
Change from the acquisition, sale and maturities of other investments	–2,137	–2,301
Change from the acquisition and sale of investments for unit-linked life insurance	–119	–160
Other	18	19
II. Cash flows from investing activities	–2,238	–2,419
Inflows from increase in capital and from non-controlling interests	107	–
Outflows to ownership interests and non-controlling interests	–	43
Dividend payments	1	1
Change from other financing activities	–63	1,229
III. Cash flows from financing activities	43	1,185
Cash flows for the financial year (I + II + III)	**214**	**60**
Effect of exchange rate changes on cash	–11	–17
Cash at the beginning of the financial year	2,860	2,490
Cash at 31 March of the financial year	3,063	2,533

Selected notes to the consolidated financial statements

Recognition and measurement

This quarterly report as at 31 March 2013 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 2013. 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 2012, with the exception of the changes mentioned below. In accordance with the rules of IFRS 4, underwriting items are recognised and measured on the basis of US GAAP (United States Generally Accepted Accounting Principles) at first-time adoption of IFRS 4 on 1 January 2005.

The following standards in particular have been newly adopted or amended:

Under the amendment to **IAS 1 (rev. 06/2011), Presentation of Financial Statements, Presentation of Items of Other Comprehensive Income, "other comprehensive income"** must now be divided into items that will be reclassified to profit or loss at a later date and items that will not. The purpose of this amendment is to improve the presentation of these items and align the approaches under IFRS and US GAAP. We have made the necessary adjustments in the statement of recognised income and expense.

IFRS 13 (05/2011), Fair Value Measurement, provides guidance on measuring items at fair value if another standard prescribes fair value measurement or fair value disclosure in the notes to the financial statements. The standard thus does not determine what items need to be measured at fair value. IFRS 13 revises the definition of fair value, defining it 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. The standard includes detailed information on how to determine the fair value for different types of assets and liabilities. In addition, the standard requires further disclosures in the notes – for instance, the fair value hierarchy thus far only required for financial instruments under IFRS 7 has now been extended to include all items measured at fair value. On the basis of IFRS 13, we have verified whether Munich Re's fair value measurement is in compliance with the new provisions, and we have made any adjustments in measurement necessary. We have implemented that part of the new disclosures in the notes that relate to financial assets and liabilities that we measure at fair value in the financial statements and that must now be published on a quarterly basis owing to a knock-on change to IAS 34, Interim Financial Reporting. In conformity with requirements, we will implement the other new disclosures in the notes to the consolidated financial statements in the annual report as at the end of the year.

The amendments published as part of the **IFRS Annual Improvement Process** in May 2012 concern IFRS 1, First-time Adoption of International Financial Reporting Standards, which only includes rules for IFRS first-time users and is thus basically not relevant for Munich Re, as well as IAS 1, Presentation of Financial Statements, IAS 16, Property, Plant and Equipment, IAS 32, Financial Instruments: Presentation, IAS 34, Interim Financial Reporting, and the knock-on change in the interpretation of IFRIC 2, Members' Shares in Co-operative Entities and Similar Instruments. Only the amendment to IAS 1, Presentation of Financial Statements, is of practical significance for Munich Re, and this simplifies the rules currently in place. Where a retrospective change in accounting policies or a retrospective adjustment or reallocation of items under IAS 8 requires publication of a binding third comparative balance sheet, it is no longer necessary to make the relevant disclosures in the notes.

As a result of the amendments to **IAS 19 (rev. 06/2011), Employee Benefits**, the option for deferring the recognition of actuarial gains and losses, in particular the "corridor approach", has been eliminated. These gains and losses must now be recognised in equity with no effect on profit or loss. Furthermore, the past service cost for retroactive amendments in a defined benefit plan is to be immediately recognised in the income statement. The return on plan assets is now to be determined on the basis of the rate used to discount the present value of defined benefit obligations. The administrative costs and taxes payable by the plan are to be deducted from the return. The requirements regarding the asset ceiling have been integrated and further specified. Moreover, additional disclosures in the notes are required, e.g. analysing pension obligations in terms of their risks and sensitivities for the actuarial assumptions. The amendments will not have any material effects on Munich Re, since we have recognised actuarial gains and losses directly in equity since 2006. We have applied the amendments prospectively, as a retrospective application for prior periods did not appear appropriate, also from a cost-benefit point of view. The past service cost for a plan curtailment of €12m is recognised in the first quarter as income in the consolidated income statement. Based on an estimate, the return on plan assets recognised in the consolidated income statement is €5m lower in the first quarter than it would have been under the previous method. Accordingly, the difference compared with the actual income is €5m higher and recognised as a remeasurements in equity with no effect on profit or loss. In December 2012, the Accounting Standards Committee of Germany (ASCG) published "Implementation Guidance 1 (IFRS) Specific Issues Relating to Accounting for Partial Retirement Arrangements in Accordance with IFRSs" with regard to the revised IAS 19. For reasons of materiality and from a cost-benefit point of view, we have applied this implementation guidance only prospectively as well. This results in a reduction in "other provisions" of €5m, which we have recognised as income in the consolidated income statement in the first quarter. We will implement the extended disclosures in the notes in accordance with IAS 19.

The amendments to **IFRS 7 (rev. 12/2011), Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities**, introduced new disclosures for the notes to the financial statements regarding such cases. These additional disclosures comprise gross and net amounts related to offsetting as well as amounts for existing rights to offset that do not satisfy the offsetting criteria. At the same time as IFRS 7, amendments were also made to **IAS 32 (rev. 12/2011), Presentation – Offsetting Financial Assets and Financial Liabilities**, thus clarifying some issues in relation to the admissibility of offsetting financial assets and financial liabilities. However, this clarification will only be applicable for financial years beginning on or after 1 January 2014. These amendments currently have no practical significance for Munich Re.

IFRIC Interpretation 20 (10/2011), Stripping Costs in the Production Phase of a Surface Mine, clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. This interpretation has no practical relevance for Munich Re.

Our disclosure of costs directly connected with equity capital measures has been modified with effect from the first quarter of 2013. Previously, externally generated costs directly connected with equity capital measures were recognised in the capital reserve after taking tax effects into account. These costs are now shown in retained earnings. The informative function of the consolidated financial statements is thus enhanced, as the issued capital and capital reserve of Munich Reinsurance Company are directly evident in the consolidated financial statements. Pursuant to IAS 8.22, the modification has been applied retrospectively and the previous year's figures have been adjusted accordingly. As a result of the modification, the capital reserve has been increased by €31m, totalling €6,831m as at 31 December 2011 and €6,836m as at 31 December 2012. The retained earnings have been reduced by the same amount, totalling €11,557m as at 31 December 2011 and €10,915m as at 31 December 2012.

Our method of calculating the technical interest has been modified further with effect from the first quarter of 2013. The portion of investment income corresponding to the deposit interest expense is now included as a component in the calculation of the technical interest and thus in the technical result also in the reinsurance segments and in the Munich Health segment. This change provides for a more accurate presentation of the technical result. As a consequence of the change, the income from technical interest in the financial year 2013 is higher than it would have been under the previous method.

Changes in the consolidated group

There were no significant changes in the group of consolidated companies in the period under review.

Currency translation

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

Currency translation rates

	Balance sheet		Income statement	
Rate for €1	31.3.2013	31.12.2012	Q1 2013	Q1 2012
Australian dollar	1.23170	1.26990	1.27085	1.24301
Canadian dollar	1.30460	1.31270	1.33091	1.31298
Pound sterling	0.84565	0.81110	0.85064	0.83444
Rand	11.78090	11.18580	11.81310	10.17240
Swiss franc	1.21595	1.20680	1.22778	1.20792
US dollar	1.28410	1.31840	1.32006	1.31077
Yen	120.7310	113.9960	121.6110	103.9420

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.

Segment assets

	Reinsurance			
	Life		Property-casualty	
€m	31.3. 2013	31.12. 2012	31.3. 2013	31.12. 2012
A. Intangible assets	**173**	**170**	**2,073**	**2,050**
B. Investments				
I. Land and buildings, including buildings on third-party land	264	245	1,227	1,224
II. Investments in affiliated companies and associates	21	21	763	775
Thereof: Associates accounted for using the equity method	–	1	667	682
III. Loans	19	18	52	52
IV. Other securities				
1. Held to maturity	–	–	–	–
2. Available for sale	15,756	15,399	55,030	54,651
3. At fair value through profit or loss	615	605	1,059	1,042
	16,371	16,004	56,089	55,693
V. Deposits retained on assumed reinsurance	7,141	7,240	1,243	1,181
VI. Other investments	332	242	1,528	1,142
	24,148	**23,770**	**60,902**	**60,067**
C. Investments for the benefit of life insurance policyholders who bear the investment risk	**–**	**–**	**–**	**–**
D. Ceded share of technical provisions	**970**	**1,140**	**2,275**	**2,186**
E. Other segment assets	**6,089**	**6,019**	**9,842**	**9,765**
Total segment assets	**31,380**	**31,099**	**75,092**	**74,068**

Segment liabilities

	Reinsurance			
	Life		Property-casualty	
€m	31.3. 2013	31.12. 2012	31.3. 2013	31.12. 2012
A. Subordinated liabilities	**1,409**	**1,343**	**3,922**	**3,838**
B. Gross technical provisions				
I. Unearned premiums	43	37	6,000	5,776
II. Provision for future policy benefits	13,254	13,352	32	32
III. Provision for outstanding claims	5,778	5,652	39,477	39,097
IV. Other technical provisions	446	432	75	81
	19,521	**19,473**	**45,584**	**44,986**
C. Gross technical provisions for life insurance policies where the investment risk is borne by the policyholders	**–**	**–**	**–**	**–**
D. Other accrued liabilities	**227**	**198**	**722**	**721**
E. Other segment liabilities	**6,055**	**6,600**	**11,017**	**10,406**
Total segment liabilities	**27,212**	**27,614**	**61,245**	**59,951**

Primary insurance						Munich Health		Asset management		Total	
Life		Health		Property-casualty							
31.3. 2013	31.12. 2012	31.3. 2013	31.12. 2012	31.3. 2013	31.12. 2012	31.3. 2013	31.12. 2012	31.3. 2013	31.12. 2012	31.3. 2013	31.12. 2012
996	1,031	676	677	928	932	15	23	11	11	4,872	4,894
1,383	1,393	772	777	93	95	9	30	66	67	3,814	3,831
134	132	152	151	218	214	94	93	71	81	1,453	1,467
111	109	140	138	176	172	93	90	55	65	1,242	1,257
35,841	34,977	17,574	17,138	2,236	2,210	22	23	–	–	55,744	54,418
6	7	–	–	–	–	–	–	–	–	6	7
36,322	37,151	15,675	15,592	6,647	6,348	3,098	3,602	1,128	453	133,656	133,196
1,185	1,174	117	155	18	22	2	17	–	–	2,996	3,015
37,513	38,332	15,792	15,747	6,665	6,370	3,100	3,619	1,128	453	136,658	136,218
144	147	1	1	5	4	375	394	–	–	8,909	8,967
596	583	36	82	305	594	127	66	524	255	3,448	2,964
75,611	75,564	34,327	33,896	9,522	9,487	3,727	4,225	1,789	856	210,026	207,865
6,208	5,957	–	–	–	–	1	1	–	–	6,209	5,958
1,865	1,862	25	22	344	340	160	180	–	–	5,639	5,730
7,715	7,893	3,584	3,575	4,680	4,456	1,949	2,085	394	120	34,253	33,913
92,395	92,307	38,612	38,170	15,474	15,215	5,852	6,514	2,194	987	260,999	258,360

Primary insurance						Munich Health		Asset management		Total	
Life		Health		Property-casualty							
31.3. 2013	31.12. 2012	31.3. 2013	31.12. 2012	31.3. 2013	31.12. 2012	31.3. 2013	31.12. 2012	31.3. 2013	31.12. 2012	31.3. 2013	31.12. 2012
73	75	–	–	–	–	43	248	–	–	5,447	5,504
16	15	127	99	2,251	1,755	500	452	–	–	8,937	8,134
69,575	69,508	25,792	25,544	430	425	929	908	–	–	110,012	109,769
1,636	1,648	838	917	5,453	5,483	908	954	–	–	54,090	53,751
4,554	4,688	8,670	8,475	146	149	107	110	–	–	13,998	13,935
75,781	75,859	35,427	35,035	8,280	7,812	2,444	2,424	–	–	187,037	185,589
6,520	6,257	–	–	–	–	1	1	–	–	6,521	6,258
573	590	266	293	2,374	2,396	182	178	53	49	4,397	4,425
7,089	6,973	1,353	1,108	2,119	2,233	1,259	1,682	85	159	28,977	29,161
90,036	89,754	37,046	36,436	12,773	12,441	3,929	4,533	138	208	232,379	230,937
								Equity		28,620	27,423
								Total equity and liabilities		260,999	258,360

Segment income statement 1.1.–31.3.2013

€m	Reinsurance Life Q1 2013	Reinsurance Life Q1 2012	Reinsurance Property-casualty Q1 2013	Reinsurance Property-casualty Q1 2012
Gross premiums written	**2,569**	**2,599**	**4,398**	**4,245**
1. Earned premiums				
Gross	2,564	2,597	4,230	4,328
Ceded	101	100	154	152
Net	2,463	2,497	4,076	4,176
2. Income from technical interest	**174**	**146**	**298**	**330**
3. Expenses for claims and benefits				
Gross	1,887	1,898	2,349	2,702
Ceded share	49	94	39	32
Net	1,838	1,804	2,310	2,670
4. Operating expenses				
Gross	620	717	1,190	1,302
Ceded share	30	31	8	10
Net	590	686	1,182	1,292
Thereof: Amortisation and impairment losses of acquired insurance portfolios	–	2	–	–
5. Technical result (1–4)	**209**	**153**	**882**	**544**
6. Investment result				
Investment income	452	514	839	1,285
Investment expenses	268	334	502	775
Total	184	180	337	510
Thereof:				
Interest and similar income	184	169	352	388
Interest charges and similar expenses	1	1	4	2
Write-downs of investments	167	239	189	342
Write-ups of investments	172	190	136	219
Income from associates accounted for using the equity method	–	–	–4	–4
7. Other operating income	**20**	**19**	**49**	**45**
Thereof:				
Interest and similar income	12	11	4	3
Write-ups of other operating assets	–	2	–	2
8. Other operating expenses	**17**	**16**	**72**	**53**
Thereof:				
Interest charges and similar expenses	5	6	7	7
Write-downs of other operating assets	–	–	5	1
9. Deduction of income from technical interest	**–174**	**–146**	**–298**	**–330**
10. Non-technical result (6–9)	**13**	**37**	**16**	**172**
11. Operating result (5 + 10)	**222**	**190**	**898**	**716**
12. Other non-operating result, net finance costs and impairment losses of goodwill	**28**	**–55**	**80**	**–107**
13. Taxes on income	**78**	**6**	**323**	**104**
14. Consolidated result (11–13)	**172**	**129**	**655**	**505**
Thereof:				
Attributable to Munich Reinsurance Company equity holders	172	129	652	505
Attributable to non-controlling interests	–	–	3	–

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

	Primary insurance						Munich Health		Asset management		Total	
	Life		Health		Property-casualty							
	Q1 2013	Q1 2012[1]	Q1 2013	Q1 2012	Q1 2013	Q1 2012	Q1 2013	Q1 2012	Q1 2013	Q1 2012	Q1 2013	Q1 2012
	1,357	**1,406**	**1,432**	**1,457**	**1,854**	**1,835**	**1,674**	**1,680**	**–**	**–**	**13,284**	**13,222**
	1,355	1,406	1,405	1,408	1,338	1,373	1,608	1,619	–	–	12,500	12,731
	26	28	12	12	54	67	57	5	–	–	404	364
	1,329	1,378	1,393	1,396	1,284	1,306	1,551	1,614	–	–	12,096	12,367
	933	**1,089**	**374**	**359**	**52**	**51**	**10**	**12**	**–**	**–**	**1,841**	**1,987**
	1,923	2,153	1,502	1,519	811	875	1,276	1,306	–	–	9,748	10,453
	23	16	6	6	16	72	35	–	–	–	168	220
	1,900	2,137	1,496	1,513	795	803	1,241	1,306	–	–	9,580	10,233
	387	247	175	166	445	462	321	315	–	–	3,138	3,209
	4	4	5	3	-1	5	14	7	–	–	60	60
	383	243	170	163	446	457	307	308	–	–	3,078	3,149
	31	7	1	1	–	–	–	–	–	–	32	10
	-21	**87**	**101**	**79**	**95**	**97**	**13**	**12**	**–**	**–**	**1,279**	**972**
	1,176	1,332	376	370	140	132	57	51	3	2	3,043	3,686
	176	216	47	49	30	50	3	18	10	–	1,036	1,442
	1,000	1,116	329	321	110	82	54	33	-7	2	2,007	2,244
	672	713	313	315	63	78	21	27	1	1	1,606	1,691
	1	1	1	1	–	–	–	–	–	–	7	5
	63	68	23	13	11	14	1	6	10	–	464	682
	34	61	12	17	7	12	–	4	–	–	361	503
	1	1	2	2	2	-7	–	6	-10	–	-9	-2
	18	**20**	**11**	**13**	**37**	**35**	**13**	**15**	**12**	**12**	**160**	**159**
	1	2	–	3	1	–	2	2	–	1	20	22
	–	1	–	–	3	3	–	1	–	–	3	9
	25	**24**	**16**	**21**	**57**	**49**	**22**	**16**	**8**	**7**	**217**	**186**
	1	1	3	4	13	14	6	4	1	–	36	36
	2	2	1	1	5	3	1	1	–	–	14	8
	-933	**-1,089**	**-374**	**-359**	**-52**	**-51**	**-10**	**-12**	**–**	**–**	**-1,841**	**-1,987**
	60	**23**	**-50**	**-46**	**38**	**17**	**35**	**20**	**-3**	**7**	**109**	**230**
	39	**110**	**51**	**33**	**133**	**114**	**48**	**32**	**-3**	**7**	**1,388**	**1,202**
	-4	2	-11	-10	-50	-59	–	-30	-1	-2	42	-261
	3	26	15	7	13	12	11	-3	8	7	451	159
	32	**86**	**25**	**16**	**70**	**43**	**37**	**5**	**-12**	**-2**	**979**	**782**
	32	86	25	16	68	40	35	6	-12	-2	972	780
	–	–	–	–	2	3	2	-1	–	–	7	2

Non-current assets by country[1]

€m	31.3.2013	31.12.2012
Germany	7,538	7,601
USA	1,947	1,915
UK	527	548
Austria	382	390
Italy	269	273
Sweden	258	253
Poland	161	163
France	157	157
Netherlands	142	145
Spain	125	127
Switzerland	95	96
Portugal	62	66
Others	260	259
Total	**11,923**	**11,993**

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

Investments in non-current assets per segment[1]

€m	31.3.2013	31.12.2012
Reinsurance life	6	3
Reinsurance property-casualty	15	25
Primary insurance life	3	12
Primary insurance health	1	4
Primary insurance property-casualty	46	35
Munich Health	7	4
Asset management	2	1
Total	**80**	**84**

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

Gross premiums written

	Reinsurance		Primary insurance		Munich Health		Total	
€m	Q1 2013	Q1 2012	Q1 2013	Q1 2012	Q1 2013	Q1 2012	Q1 2013	Q1 2012
Europe	2,235	2,320	4,638	4,653	490	513	7,363	7,486
North America	3,116	2,835	1	1	1,049	1,058	4,166	3,894
Asia and Australasia	1,031	1,108	3	41	48	39	1,082	1,188
Africa, Near and Middle East	196	183	–	1	81	70	277	254
Latin America	389	398	1	2	6	–	396	400
Total	**6,967**	**6,844**	**4,643**	**4,698**	**1,674**	**1,680**	**13,284**	**13,222**

Notes to the consolidated balance sheet

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

Intangible assets

Development of goodwill

	Reinsurance				Primary insurance	
Goodwill from the acquisition of		Munich Re America		Other		ERGO Insurance Group
€m	Q1 2013	Q1 2012	Q1 2013	Q1 2012	Q1 2013	Q1 2012
Gross carrying amount at 31 Dec. previous year	1,046	1,062	454	435	1,754	1,754
Accumulated impairment losses at 31 Dec. previous year	–	–	51	27	–	–
Carrying amount at 31 Dec. previous year	1,046	1,062	403	408	1,754	1,754
Currency translation differences	28	–26	9	–9	–	–
Additions	–	–	–	–	–	–
Disposals	–	–	–	–	–	–
Reclassifications	–	–	–	–	–	–
Impairment losses	–	–	–	–	–	–
Carrying amount at 31 March financial year	**1,074**	**1,036**	**412**	**399**	**1,754**	**1,754**
Accumulated impairment losses at 31 March financial year	–	–	46	27	–	–
Gross carrying amount at 31 March financial year	1,074	1,036	458	426	1,754	1,754

→	Primary insurance		Munich Health		Total	
Goodwill from the acquisition of		Other		Other		
€m	Q1 2013	Q1 2012	Q1 2013	Q1 2012	Q1 2013	Q1 2012
Gross carrying amount at 31 Dec. previous year	554	554	156	154	3,964	3,959
Accumulated impairment losses at 31 Dec. previous year	381	381	156	40	588	448
Carrying amount at 31 Dec. previous year	173	173	–	114	3,376	3,511
Currency translation differences	–	–	–	–2	37	–37
Additions	–	–	–	–	–	–
Disposals	–	–	–	–	–	–
Reclassifications	–	–	–	–	–	–
Impairment losses	–	–	–	–	–	–
Carrying amount at 31 March financial year	**173**	**173**	**–**	**112**	**3,413**	**3,474**
Accumulated impairment losses at 31 March financial year	381	381	156	40	583	448
Gross carrying amount at 31 March financial year	554	554	156	152	3,996	3,922

Breakdown of other intangible assets

€m	31.3.2013	31.12.2012
Acquired insurance portfolios	413	447
Software		
Self-developed	121	130
Other	236	230
Acquired brand names	40	41
Acquired distribution networks/client bases	333	343
Acquired licences/patents	264	272
Other		
Self-developed	–	–
Other	52	55
Total	**1,459**	**1,518**

Investments

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

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

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

Valuation models

Bonds	Pricing method	Parameters	Pricing model
Interest-rate risks			
Exchange-traded bonds	Quoted price	–	–

Derivatives	Pricing method	Parameters	Pricing model
Equity and index risks			
Exchange-traded stock options	Quoted price	–	–
OTC stock options	Theoretical price	Listing of underlying shares Effective volatilities Money-market interest rate Dividend yield	Black-Scholes (European) Cox, Ross and Rubinstein (American) Monte-Carlo simulation
Equity forwards	Theoretical price	Listing of underlying shares Money-market interest rate Dividend yield	Present-value method
Equity/index futures	Quoted price	–	–
Interest-rate risks			
Interest-rate swaps	Theoretical price	Swap curve Money-market interest-rate curve	Present-value method
Swaptions/interest-rate guarantee	Theoretical price	At-the-money volatility index and skew Swap curve Money-market interest-rate curve	Black-76
Interest-rate currency swaps	Theoretical price	Swap curve Money-market interest-rate curve Currency spot rates	Present-value method
Interest-rate futures	Quoted price	–	–
Inflation swaps	Theoretical price	Zero-coupon inflation swap rates Swap curve Money-market interest-rate curve	Present-value method
Bond futures	Quoted price	–	–
Exchange-traded options on bond futures	Quoted price	–	–
Currency risks			
Currency options	Theoretical price	At-the money volatility Currency spot rates Money-market interest-rate curve	Garman-Kohlhagen (European)
Currency forwards	Theoretical price	Currency spot rates Money-market interest-rate curve	Present-value method
Other transactions			
Insurance derivatives (excluding variable annuities)	Theoretical price	Market values of cat bonds Interest-rate curve	Present-value method
Credit default swaps	Theoretical price	Credit spreads Recovery rates Interest-rate curve	Present-value method ISDA CDS Standard Model
Total return swaps on commodities	Theoretical price	Listing of underlying index	Index ratio calculation
Commodity options	Theoretical price	Listing of underlying shares Effective volatilities Money-market interest rate	Black-Scholes (European) Cox, Ross and Rubinstein (American)

Bonds with embedded options	Pricing method	Parameters	Pricing model
Callable bonds	Theoretical price	Money-market/swap interest-rate curve Issuer-specific spreads Volatility matrix	Hull-White model
Zero-to-coupon switchable bonds	Theoretical price	Money-market/swap interest-rate curve Issuer-specific spreads Volatility matrix	Hull-White model

The insurance derivatives listed in the table (excluding variable annuities) are allocated to Level 3 of the valuation hierarchy. Their valuation 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.

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 valuation 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 the broker valuations. We regularly subject the valuations supplied to plausibility tests on the basis of comparable investments.

At 31 March 2013, around 84% of the investments measured at fair value were allocated to Level 1 of the fair value hierarchy, 13% to Level 2 and 3% to Level 3.

Allocation of investments measured at fair value[1] to levels of the fair value hierarchy

				31.3.2013
€m	Level 1	Level 2	Level 3	Total
Investments in affiliated companies measured at fair value	–	–	195	195
Investments in associates measured at fair value	–	–	16	16
Other securities available for sale				
Fixed-interest	104,562	16,397	2,116	123,075
Non-fixed-interest	8,496	65	2,020	10,581
Other securities at fair value through profit or loss				
Held for trading	831	2,240	44	3,115
Designated as at fair value through profit or loss	–	166	–	166
Investments for the benefit of life insurance policyholders who bear the investment risk	6,209	–	–	6,209
Total	**120,098**	**18,868**	**4,391**	**143,357**

→				31.12.2012
€m	Level 1	Level 2	Level 3	Total
Investments in affiliated companies measured at fair value	–	–	194	194
Investments in associates measured at fair value	–	–	16	16
Other securities available for sale				
Fixed-interest	104,453	16,928	2,118	123,499
Non-fixed-interest	7,651	68	1,978	9,697
Other securities at fair value through profit or loss				
Held for trading	754	2,368	33	3,155
Designated as at fair value through profit or loss	–	169	–	169
Investments for the benefit of life insurance policyholders who bear the investment risk	5,958	–	–	5,958
Total	**118,816**	**19,533**	**4,339**	**142,688**

1 Including hedging derivatives.

Since the beginning of the year, we have reallocated portions of the other mortgage-backed securities (MBSs) in our portfolio from Level 3 to Level 2, as the valuation of these investments is now performed only using inputs based on observable market data. All other level allocations have remained unchanged.

The only investments held for trading that are allocated to Level 3 are derivatives with the corresponding hierarchy-level allocation.

The following tables present the reconciliation from the beginning balances to the ending balances for investments allocated to Level 3.

Reconciliation for investments allocated to Level 3

	Other securities available for sale		Investments in affiliated companies measured at fair value	Investments in associates companies-measured at fair value
	Fixed-interest	Non-fixed-interest		
€m	Q1 2013	Q1 2013	Q1 2013	Q1 2013
Carrying amount at 31 Dec. previous year	2,118	1,978	194	16
Gains and losses	24	–	2	–
Gains (losses) recognised in the income statement	15	–	-1	–
Gains (losses) recognised in equity	9	–	3	–
Acquisitions	585	65	1	–
Disposals	527	22	2	–
Transfer to/out of Level 3	-84	1	–	–
Changes in the market value of derivatives	–	-2	–	–
Carrying amount at 31 March financial year	**2,116**	**2,020**	**195**	**16**
Gains (losses) recognised in the income statement that are attributable to investments shown at 31 March of the financial year	10	–	-1	–

Continued on next page

→	Other securities at fair value through profit or loss		Total
	Held for trading	Designated as at fair value through profit or loss	
€m	Q1 2013	Q1 2013	Q1 2013
Carrying amount at 31 Dec. previous year	33	–	4,339
Gains and losses	9	–	35
Gains (losses) recognised in the income statement	8	–	22
Gains (losses) recognised in equity	1	–	13
Acquisitions	19	–	670
Disposals	17	–	568
Transfer to/out of Level 3	–	–	-83
Changes in the market value of derivatives	–	–	-2
Carrying amount at 31 March financial year	**44**	**–**	**4,391**
Gains (losses) recognised in the income statement that are attributable to investments shown at 31 March of the financial year	8	–	17

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

Equity

Number of shares in circulation and number of own shares held

	31.3.2013	31.12.2012
Number of shares in circulation	179,298,899	178,527,270
Number of own shares held	42,313	813,942
Total	**179,341,212**	**179,341,212**

Non-controlling interests

€m	31.3.2013	31.12.2012
Unrealised gains and losses	21	20
Consolidated result	7	16
Other equity	222	206
Total	**250**	**242**

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

Subordinated liabilities

Breakdown of subordinated liabilities

€m	Identification number	A.M. Best	Fitch	Moody's	S&P	31.3.2013	31.12.2012
Munich Reinsurance Company, Munich, 6.25% until 2022, thereafter floating, €900m, Bonds 2012/2042	WKN: A1ML16 ISIN: XS0764278528 Reuters: DE076427852= Bloomberg: MUNRE	a+	A	–	A	893	892
Munich Reinsurance Company, Munich, 6.625% until 2022, thereafter floating, £450m, Bonds 2012/2042	WKN: A1ML15 ISIN: XS0764278288 Reuters: DE076427828= Bloomberg: MUNRE	a+	A	–	A	530	552
Munich Reinsurance Company, Munich, 6.00% until 2021, thereafter floating, €1,000m, Bonds 2011/2041	WKN: A1KQYJ ISIN: XS0608392550 Reuters: DE060839255= Bloomberg: MUNRE	a+	A	–	A	989	989
Munich Reinsurance Company, Munich, 5.767% until 2017, thereafter floating, €1,349m, Bonds 2007/perpetual	WKN: A0N4EX ISIN: XS0304987042 Reuters: DE030498704= Bloomberg: MUNRE	a+	A	A3 (hyb)	A	1,576	1,596
Munich Reinsurance Company, Munich, 6.75% until 2013, thereafter floating, €1,000m, Bonds 2003/2023	WKN: 843278 ISIN: XS0166965797 Reuters: DE016696579= Bloomberg: MUNRE	a+	A	A2 (hyb)	A	995	995
Munich Reinsurance Company, Munich, 7.625% until 2018, thereafter floating, £300m, Bonds 2003/2028	WKN: 843449 ISIN: XS0167260529 Reuters: DE016726052= Bloomberg: MUNRE	a+	A	A2 (hyb)	A	353	368
Bank Austria Creditanstalt Versicherung AG, Vienna, 4.95%, €50m, Registered bonds 2004/2014		–	–	–	–	50	51
Bank Austria Creditanstalt Versicherung AG, Vienna, secondary market yield on federal government bonds (Austria) +70 BP, €12m[1], Registered bonds 2001/perpetual		–	–	–	–	11	12
Bank Austria Creditanstalt Versicherung AG, Vienna, secondary market yield on federal government bonds (Austria) +70 BP, €13m[2], Registered bonds 1998/perpetual		–	–	–	–	12	12
HSB Group Inc., Delaware, LIBOR +91 BP, US$ 76m, Bonds 1997/2027		–	–	–	–	38	37
Total						**5,447**	**5,504**

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

The fair value of the subordinated liabilities at the balance sheet date amounted to €5,810m (5,953m). For the Munich Reinsurance Company bonds, we take the stock market prices as fair values. For the other subordinated liabilities, we determine the fair values using net present value methods with observable market parameters.

Liabilities

Breakdown of bonds and notes issued

€m	Identification number	A.M. Best	Fitch	Moody's	S&P	31.3.2013	31.12.2012
Munich Re America Corporation, Wilmington, 7.45%, US$ 342m, Senior Notes 1996/2026	CUSIP No.: 029163AD4 ISIN, Reuters: – Bloomberg: AMER RE CORP MUNRE	a–	A+	A2	A–	266	259
Total						**266**	**259**

We calculate the fair value of the notes issued using a recognised valuation method with observable market inputs. The fair value at the reporting date amounts to €361m (340m).

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

				31.3.2013				31.12.2012
€m	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Other liabilities								
Derivatives	39	755	161	955	29	749	191	969

In the other liabilities, only derivatives with a negative market value are currently recognised at fair value. Of these, we allocated 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, we refer to the notes on investments.

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

Reconciliation for other liabilities allocated to Level 3

	Other liabilities at fair value through profit or loss
€m	Q1 2013
Carrying amount at 31 Dec. previous year	191
Gains and losses	29
Gains (losses) recognised in the income statement	31
Gains (losses) recognised in equity	–2
Acquisitions	1
Disposals	2
Transfer to/out of Level 3	–
Change in the market value of derivatives	–
Carrying amount at 31 March financial year	**161**
Gains (losses) recognised in the income statement that are attributable to investments shown at 31 March financial year	31

Notes to the consolidated income statement

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

Premiums

			Reinsurance	
		Life		Property-casualty
€m	Q1 2013	Q1 2012	Q1 2013	Q1 2012
Gross premiums written	2,569	2,599	4,398	4,245
Change in unearned premiums – Gross	5	2	168	–83
Gross earned premiums	**2,564**	**2,597**	**4,230**	**4,328**
Ceded premiums written	101	100	284	209
Change in unearned premiums – Ceded share	–	–	130	57
Earned premiums ceded	**101**	**100**	**154**	**152**
Net earned premiums	**2,463**	**2,497**	**4,076**	**4,176**

→					Primary insurance	
		Life		Health		Property-casualty
€m	Q1 2013	Q1 2012	Q1 2013	Q1 2012	Q1 2013	Q1 2012
Gross premiums written	1,357	1,406	1,432	1,457	1,854	1,835
Change in unearned premiums – Gross	2	–	27	49	516	462
Gross earned premiums	**1,355**	**1,406**	**1,405**	**1,408**	**1,338**	**1,373**
Ceded premiums written	26	28	14	21	61	87
Change in unearned premiums – Ceded share	–	–	2	9	7	20
Earned premiums ceded	**26**	**28**	**12**	**12**	**54**	**67**
Net earned premiums	**1,329**	**1,378**	**1,393**	**1,396**	**1,284**	**1,306**

→		Munich Health		Total
€m	Q1 2013	Q1 2012	Q1 2013	Q1 2012
Gross premiums written	1,674	1,680	13,284	13,222
Change in unearned premiums – Gross	66	61	784	491
Gross earned premiums	**1,608**	**1,619**	**12,500**	**12,731**
Ceded premiums written	45	49	531	494
Change in unearned premiums – Ceded share	–12	44	127	130
Earned premiums ceded	**57**	**5**	**404**	**364**
Net earned premiums	**1,551**	**1,614**	**12,096**	**12,367**

Income from technical interest

	Reinsurance			
	Life		Property-casualty	
€m	Q1 2013	Q1 2012	Q1 2013	Q1 2012
Income from technical interest	174	146	298	330

→	Primary insurance					
	Life		Health		Property-casualty	
€m	Q1 2013	Q1 2012	Q1 2013	Q1 2012	Q1 2013	Q1 2012
Income from technical interest	933	1,089	374	359	52	51

→	Munich Health		Total	
€m	Q1 2013	Q1 2012	Q1 2013	Q1 2012
Income from technical interest	10	12	1,841	1,987

Expenses for claims and benefits

	Reinsurance			
	Life		Property-casualty	
€m	Q1 2013	Q1 2012	Q1 2013	Q1 2012
Gross				
Claims and benefits paid	1,921	1,820	2,463	2,740
Changes in technical provisions				
Provision for future policy benefits	-90	-105	–	–
Provision for outstanding claims	51	183	-115	-49
Provision for premium refunds	–	–	1	1
Other technical result	5	–	–	10
Gross expenses for claims and benefits	**1,887**	**1,898**	**2,349**	**2,702**
Ceded share				
Claims and benefits paid	157	72	134	113
Changes in technical provisions				
Provision for future policy benefits	-25	-18	–	–
Provision for outstanding claims	-77	45	-95	-81
Provision for premium refunds	–	–	–	–
Other technical result	-6	-5	–	–
Expenses for claims and benefits – Ceded share	**49**	**94**	**39**	**32**
Net				
Claims and benefits paid	1,764	1,748	2,329	2,627
Changes in technical provisions				
Provision for future policy benefits	-65	-87	–	–
Provision for outstanding claims	128	138	-20	32
Provision for premium refunds	–	–	1	1
Other technical result	11	5	–	10
Net expenses for claims and benefits	**1,838**	**1,804**	**2,310**	**2,670**

						Primary insurance
		Life		Health		Property-casualty
€m	Q1 2013	Q1 2012	Q1 2013	Q1 2012	Q1 2013	Q1 2012
Gross						
Claims and benefits paid	1,509	1,485	1,073	1,096	813	870
Changes in technical provisions						
Provision for future policy benefits	230	496	272	257	4	5
Provision for outstanding claims	–11	–18	–79	–111	–12	–7
Provision for premium refunds	157	147	238	278	5	5
Other technical result	38	43	–2	–1	1	2
Gross expenses for claims and benefits	**1,923**	**2,153**	**1,502**	**1,519**	**811**	**875**
Ceded share						
Claims and benefits paid	36	24	5	5	18	41
Changes in technical provisions						
Provision for future policy benefits	5	11	–	–	–	–
Provision for outstanding claims	–1	–1	1	1	–3	33
Provision for premium refunds	–	–	–	–	–	–1
Other technical result	–17	–18	–	–	1	–1
Expenses for claims and benefits – Ceded share	**23**	**16**	**6**	**6**	**16**	**72**
Net						
Claims and benefits paid	1,473	1,461	1,068	1,091	795	829
Changes in technical provisions						
Provision for future policy benefits	225	485	272	257	4	5
Provision for outstanding claims	–10	–17	–80	–112	–9	–40
Provision for premium refunds	157	147	238	278	5	6
Other technical result	55	61	–2	–1	–	3
Net expenses for claims and benefits	**1,900**	**2,137**	**1,496**	**1,513**	**795**	**803**

Continued on next page

→	Munich Health		Total	
€m	Q1 2013	Q1 2012	Q1 2013	Q1 2012
Gross				
Claims and benefits paid	1,330	1,248	9,109	9,259
Changes in technical provisions				
Provision for future policy benefits	21	19	437	672
Provision for outstanding claims	-48	38	-214	36
Provision for premium refunds	–	–	401	431
Other technical result	-27	1	15	55
Gross expenses for claims and benefits	**1,276**	**1,306**	**9,748**	**10,453**
Ceded share				
Claims and benefits paid	34	2	384	257
Changes in technical provisions				
Provision for future policy benefits	–	–	-20	-7
Provision for outstanding claims	1	-2	-174	-5
Provision for premium refunds	–	–	–	-1
Other technical result	–	–	-22	-24
Expenses for claims and benefits – Ceded share	**35**	**–**	**168**	**220**
Net				
Claims and benefits paid	1,296	1,246	8,725	9,002
Changes in technical provisions				
Provision for future policy benefits	21	19	457	679
Provision for outstanding claims	-49	40	-40	41
Provision for premium refunds	–	–	401	432
Other technical result	-27	1	37	79
Net expenses for claims and benefits	**1,241**	**1,306**	**9,580**	**10,233**

Operating expenses

			Reinsurance	
	Life		Property-casualty	
€m	Q1 2013	Q1 2012	Q1 2013	Q1 2012
Acquisition costs, profit commission and reinsurance commission paid	529	636	922	914
Administrative expenses	68	74	307	298
Change in deferred acquisition costs and contingent commissions, amortisation and impairment losses of acquired insurance portfolios	23	7	-39	90
Gross operating expenses	**620**	**717**	**1,190**	**1,302**
Ceded share of acquisition costs, profit commission and reinsurance commission paid	33	31	11	17
Ceded share of change in deferred acquisition costs and contingent commissions	-3	–	-3	-7
Operating expenses – Ceded share	**30**	**31**	**8**	**10**
Net operating expenses	**590**	**686**	**1,182**	**1,292**

					Primary insurance	
		Life		Health		Property-casualty
€m	Q1 2013	Q1 2012	Q1 2013	Q1 2012	Q1 2013	Q1 2013
Acquisition costs, profit commission and reinsurance commission paid	186	216	141	145	295	309
Administrative expenses	58	60	43	38	188	189
Change in deferred acquisition costs and contingent commissions, amortisation and impairment losses of acquired insurance portfolios	143	–29	–9	–17	–38	–36
Gross operating expenses	**387**	**247**	**175**	**166**	**445**	**462**
Ceded share of acquisition costs, profit commission and reinsurance commission paid	6	11	5	5	–	5
Ceded share of changes in deferred acquisition costs and contingent commissions	–2	–7	–	–2	–1	–
Operating expenses – Ceded share	**4**	**4**	**5**	**3**	**–1**	**5**
Net operating expenses	**383**	**243**	**170**	**163**	**446**	**457**

		Munich Health		Total
€m	Q1 2013	Q1 2012	Q1 2013	Q1 2012
Acquisition costs, profit commission and reinsurance commission paid	259	272	2,332	2,492
Administrative expenses	43	41	707	700
Change in deferred acquisition costs and contingent commissions, amortisation and impairment losses of acquired insurance portfolios	19	2	99	17
Gross operating expenses	**321**	**315**	**3,138**	**3,209**
Ceded share of acquisition costs, profit commission and reinsurance commission paid	3	56	58	125
Ceded share of change in deferred acquisition costs and contingent commissions	11	–49	2	–65
Operating expenses – Ceded share	**14**	**7**	**60**	**60**
Net operating expenses	**307**	**308**	**3,078**	**3,149**

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

	Reinsurance			
	Life		Property-casualty	
€m	Q1 2013	Q1 2012	Q1 2013	Q1 2012
Land and buildings, including buildings on third-party land	5	4	24	23
Investments in affiliated companies	–	–	-1	3
Investments in associates	–	–	-4	-4
Loans	–	–	–	1
Other securities held to maturity	–	–	–	–
Other securities available for sale				
Fixed-interest	131	151	408	549
Non-fixed-interest	3	24	30	119
Other securities at fair value through profit or loss				
Held for trading				
Fixed-interest	–	–	2	2
Non-fixed-interest	–	–	1	2
Derivatives	1	-39	-83	-153
Designated as at fair value through profit or loss				
Fixed-interest	–	–	–	–
Non-fixed-interest	–	–	–	–
Deposits retained on assumed reinsurance, and other investments	69	52	1	7
Investments for the benefit of life insurance policyholders who bear the investment risk	–	–	–	–
Expenses for the management of investments, other expenses	25	12	41	39
Total	184	180	337	510

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	Primary insurance					
	Life		Health		Property-casualty	
€m	Q1 2013	Q1 2012	Q1 2013	Q1 2012	Q1 2013	Q1 2012
Land and buildings, including buildings on third-party land	16	56	14	13	1	1
Investments in affiliated companies	–	–	-3	-3	–	2
Investments in associates	1	1	2	2	2	-7
Loans	465	394	176	173	21	27
Other securities held to maturity	–	–	–	–	–	–
Other securities available for sale						
Fixed-interest	419	419	148	130	72	58
Non-fixed-interest	14	16	5	3	20	4
Other securities at fair value through profit or loss						
Held for trading						
Fixed-interest	-1	–	–	–	–	–
Non-fixed-interest	–	–	–	–	–	–
Derivatives	-16	-33	–	14	-2	2
Designated as at fair value through profit or loss						
Fixed-interest	-1	9	–	–	–	–
Non-fixed-interest	–	–	–	–	–	–
Deposits retained on assumed reinsurance, and other investments	2	1	–	–	2	1
Investments for the benefit of life insurance policyholders who bear the investment risk	137	292	–	–	–	–
Expenses for the management of investments, other expenses	36	39	13	11	6	6
Total	1,000	1,116	329	321	110	82

→	Munich Health		Asset management		Total	
€m	Q1 2013	Q1 2012	Q1 2013	Q1 2012	Q1 2013	Q1 2012
Land and buildings, including buildings on third-party land	–	1	2	1	62	99
Investments in affiliated companies	–	–	–	–	-4	2
Investments in associates	–	6	-10	–	-9	-2
Loans	–	–	–	–	662	595
Other securities held to maturity	–	–	–	–	–	–
Other securities available for sale						
Fixed-interest	47	27	1	1	1,226	1,335
Non-fixed-interest	8	3	–	–	80	169
Other securities at fair value through profit or loss						
Held for trading						
Fixed-interest	–	–	–	–	1	2
Non-fixed-interest	–	–	–	–	1	2
Derivatives	–	-3	–	–	-100	-212
Designated as at fair value through profit or loss						
Fixed-interest	–	–	–	–	-1	9
Non-fixed-interest	–	–	–	–	–	–
Deposits retained on assumed reinsurance, and other investments	–	–	–	–	74	61
Investments for the benefit of life insurance policyholders who bear the investment risk	–	–	–	–	137	292
Expenses for the management of investments, other expenses	1	1	–	–	122	108
Total	54	33	-7	2	2,007	2,244

Investment income by segment (before deduction of technical interest)

	Reinsurance			
		Life		Property-casualty
€m	Q1 2013	Q1 2012	Q1 2013	Q1 2012
Regular income	222	205	436	469
Thereof: Interest income	184	169	352	388
Income from write-ups	172	190	136	219
Gains on the disposal of investments	58	119	267	597
Other income	–	–	–	–
Total	**452**	**514**	**839**	**1,285**

→	Primary insurance					
		Life		Health		Property-casualty
€m	Q1 2013	Q1 2012	Q1 2013	Q1 2012	Q1 2013	Q1 2012
Regular income	713	759	338	338	72	81
Thereof: Interest income	672	713	313	315	63	78
Income from write-ups	34	61	12	17	7	12
Gains on the disposal of investments	239	204	26	15	61	39
Other income	190	308	–	–	–	–
Total	**1,176**	**1,332**	**376**	**370**	**140**	**132**

→		Munich Health		Asset management		Total
€m	Q1 2013	Q1 2012	Q1 2013	Q1 2012	Q1 2013	Q1 2012
Regular income	22	35	3	2	1,806	1,889
Thereof: Interest income	21	27	1	1	1,606	1,691
Income from write-ups	–	4	–	–	361	503
Gains on the disposal of investments	35	12	–	–	686	986
Other income	–	–	–	–	190	308
Total	**57**	**51**	**3**	**2**	**3,043**	**3,686**

Investment expenses by segment (before deduction of technical interest)

	Reinsurance			
	Life		Property-casualty	
€m	Q1 2013	Q1 2012	Q1 2013	Q1 2012
Write-downs of investments	167	239	189	342
Losses on the disposal of investments	56	77	261	383
Management expenses, interest charges and other expenses	45	18	52	50
Thereof: Interest charges	1	1	4	2
Total	**268**	**334**	**502**	**775**

→	Primary insurance					
	Life		Health		Property-casualty	
€m	Q1 2013	Q1 2012	Q1 2013	Q1 2012	Q1 2013	Q1 2012
Write-downs of investments	63	68	23	13	11	14
Losses on the disposal of investments	23	92	8	22	13	29
Management expenses, interest charges and other expenses	90	56	16	14	6	7
Thereof: Interest charges	1	1	1	1	–	–
Total	**176**	**216**	**47**	**49**	**30**	**50**

→	Munich Health		Asset management		Total	
€m	Q1 2013	Q1 2012	Q1 2013	Q1 2012	Q1 2013	Q1 2012
Write-downs of investments	1	6	10	–	464	682
Losses on the disposal of investments	1	11	–	–	362	614
Management expenses, interest charges and other expenses	1	1	–	–	210	146
Thereof: Interest charges	–	–	–	–	7	5
Total	**3**	**18**	**10**	**–**	**1,036**	**1,442**

Other operating result

	Reinsurance			
	Life		Property-casualty	
€m	Q1 2013	Q1 2012	Q1 2013	Q1 2012
Other operating income	20	19	49	45
Other operating expenses	17	16	72	53

→	Primary insurance					
	Life		Health		Property-casualty	
€m	Q1 2013	Q1 2012	Q1 2013	Q1 2012	Q1 2013	Q1 2012
Other operating income	18	20	11	13	37	35
Other operating expenses	25	24	16	21	57	49

→	Munich Health		Asset management		Total	
€m	Q1 2013	Q1 2012	Q1 2013	Q1 2012	Q1 2013	Q1 2012
Other operating income	13	15	12	12	160	159
Other operating expenses	22	16	8	7	217	186

Other operating income mainly comprises income of €112m (107m) from services rendered, interest and similar income of €20m (22m), income of €18m (18m) from the release/reduction of miscellaneous provisions and adjustments of values for receivables, and income of €6m (6m) from owner-occupied property, some of which is also leased out.

In addition to expenses of €87m (81m) for services rendered, other operating expenses chiefly include interest charges and similar expenses of €37m (36m), other write-downs of €9m (6m), and other tax of €17m (9m). They also contain expenses of €8m (3m) for owner-occupied property, some of which is also leased out.

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

	Reinsurance			
	Life		Property-casualty	
€m	Q1 2013	Q1 2012	Q1 2013	Q1 2012
Other non-operating income	198	167	447	221
Other non-operating expenses	153	207	333	297
Impairment losses of goodwill	–	–	–	–
Net finance costs	–17	–15	–34	–31

→	Primary insurance					
	Life		Health		Property-casualty	
€m	Q1 2013	Q1 2012	Q1 2013	Q1 2012	Q1 2013	Q1 2012
Other non-operating income	38	25	155	73	67	41
Other non-operating expenses	54	37	167	85	89	68
Impairment losses of goodwill	–	–	–	–	–	–
Net finance costs	12	14	1	2	–28	–32

→	Munich Health		Asset management		Total	
€m	Q1 2013	Q1 2012	Q1 2013	Q1 2012	Q1 2013	Q1 2012
Other non-operating income	6	93	1	1	912	621
Other non-operating expenses	5	120	1	2	802	816
Impairment losses of goodwill	–	–	–	–	–	–
Net finance costs	–1	–3	–1	–1	–68	–66

Other non-operating income is income unrelated to the conclusion, administration or settlement of insurance contracts or the administration of investments. Besides foreign-currency exchange gains of €864m (581m), it contains other non-technical income of €48m (40m).

Other non-operating expenses are expenses unrelated to the conclusion, administration or settlement of insurance contracts or the administration of investments. Besides foreign-currency exchange losses of €711m (684m), they include write-downs of €21m (23m) on other intangible assets and other non-technical expenses of €70m (109m), such as expenses unrelated to the accounting period, project costs and other amounts that cannot be allocated elsewhere, and restructuring expenses.

Non-current assets and disposal groups held for sale 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.

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 2013 totalled 23,520 (23,700) in Germany and 21,855 (21,737) in other countries.

Number of staff

	31.3.2013	31.12.2012
Reinsurance	11,087	11,094
Primary insurance	29,799	29,768
Munich Health	3,677	3,766
Asset management	812	809
Total	**45,375**	**45,437**

Contingent liabilities, other financial commitments

In comparison with the situation at 31 December 2012, financial commitments of significance for the assessment of the Group's financial position show no material changes. No contingent liabilities have been entered into for the benefit of Board members.

Earnings per share

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

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

Earnings per share

		Q1 2013	Q1 2012
Consolidated result attributable to Munich Reinsurance Company equity holders	€m	972	780
Weighted average number of outstanding shares		178,966,142	177,600,458
Earnings per share	€	5.43	4.39

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,
6 May 2013

The Board of Management

Review report

To Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München

We have reviewed the condensed interim consolidated financial statements – comprising the consolidated balance sheet, the consolidated income statement, the statement of recognised income and expense, the Group statement of changes in equity, the condensed consolidated cash flow statement and the selected notes, together with the interim Group management report of Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München, for the period from 1 January 2013 to 31 March 2013, that are part of the quarterly financial report according to Section 37 x para. 3 of the WpHG (German Securities Trading Act). The preparation of the condensed interim consolidated financial statements in accordance with those IFRSs applicable to interim financial reporting as adopted by the EU, and of the interim Group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the parent company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and the interim Group management report based on our review.

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

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

Munich, 7 May 2013

KPMG Bayerische Treuhandgesellschaft
Aktiengesellschaft Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Martin Berger
Wirtschaftsprüfer
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Responsible for content
Group Reporting

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Important dates 2013

6 August 2013
Interim report as at 30 June 2013

6 August 2013
Half-year press conference

7 November 2013
Interim report as at 30 September 2013

Important dates 2014

20 March 2014
Balance sheet press conference
for 2013 consolidated financial statements

30 April 2014
Annual General Meeting

8 May 2014
Interim report as at 31 March 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

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