Munich Re
Quarterly Report

1/2012

Munich RE

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Dr. Hans-Jürgen Schinzler
(Chairman)

Board of Management

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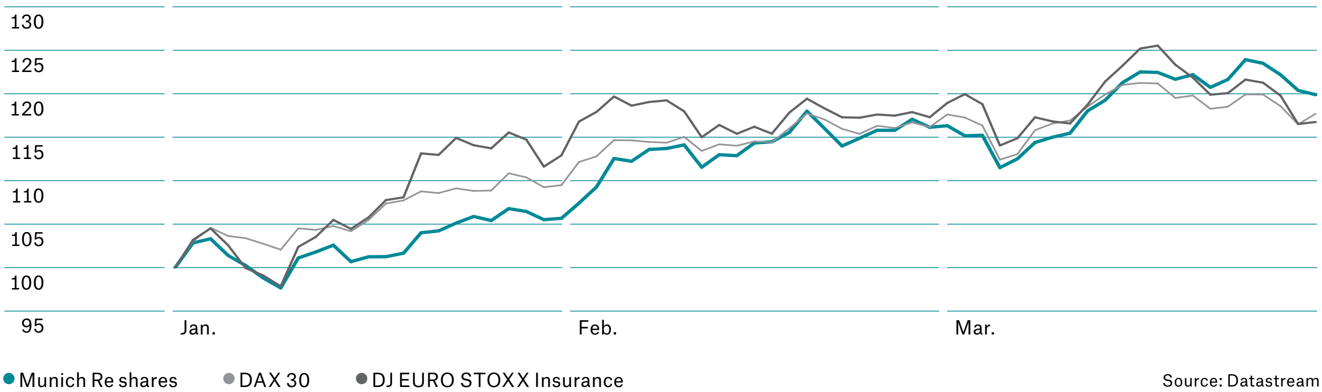
Share price performance 1.1.2012 = 100



Source: Datastream

Key figures (IFRS)

Munich Re at a glance

		Q1 2012	Q1 2011	Change
				%
Consolidated result	€m	782	–948	–
Thereof attributable to non-controlling interests	€m	2	–1	–
Earnings per share	€	4.39	–5.28	–
Return on risk-adjusted capital (RORAC)	%	12.8	–18.5	
Return on investment (RoI)	%	4.3	4.0	
Return on equity (RoE)	%	13.1	–17.4	
		31.3.2012	**31.12.2011**	**Change**
				%
Book value per share	€	136.28	129.86	4.9
Munich Reinsurance Company's market capitalisation	€bn	20.3	17.0	19.3
Share price	€	113.05	94.78	19.3

		31.3.2012	31.12.2011	Change
				%
Equity	€m	24,426	23,309	4.8
Investments	€m	205,447	201,707	1.9
Technical provisions	€m	182,795	181,161	0.9
Balance sheet total	€m	251,925	247,580	1.8
Number of staff		46,729	47,206	–1.0

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To our shareholders

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

Dear Shareholders,

We can be very satisfied with our Group's business development after the first three months of the year. The volume of major losses was well below that of the first quarter last year with its exceptional burden from natural catastrophes. Operative business performed well. In addition, our investment income was higher – despite the still challenging economic environment. We have thus made a successful start to 2012.

The renewal negotiations for reinsurance treaties have produced satisfactory outcomes so far: particularly in loss-affected segments and regions, we have been able to achieve marked price increases. For the forthcoming treaty renewals in the USA, Australia and Latin America, we also expect a rising price trend, especially in natural catastrophe business. Generally, demand for reinsurance is growing, not least in the light of the ongoing crisis on the financial markets and the upping of regulatory capital requirements evident worldwide. Munich Re offers clients solutions for capital relief that can take flexible and individual account of the changed parameters.

Business experience in the first quarter of 2012 was positive in primary insurance as well. ERGO's international business is gathering momentum. The most recent example of this is the obtaining of a licence to do business in the Chinese life insurance market, where the intention is to offer life insurance to private clients in a joint venture with a local partner. Also pleasing is ERGO's much improved operating performance in the growth markets of central and eastern Europe, and in Turkey. Particularly in Poland, measures such as restructuring the tariff systems and shifts in the portfolio are increasingly paying off in terms of a recovery in earnings.

Munich Health, our international health business, posted significant premium growth in the first three months of the year – partly in international health primary insurance, but also from large-volume capital substitute solutions in reinsurance that clients conclude for capital relief.

What do the macroeconomic parameters for the current year look like? The market environment remains difficult, even if the second support package for Greece and the ECB's three-year refinancing operations have calmed the situation on the financial markets somewhat, at least temporarily. Uncertainty regarding the course of the European sovereign debt crisis and its impact on other countries persists, with the financial markets unstable and liable to be strongly influenced by political events. For this reason alone – especially in view of the elections coming up in Europe and the USA – we must continue to reckon with a high degree of volatility.

We are taking account of this by spreading our assets broadly, including investing more in infrastructure projects or renewable energies. With this strategy in the context of our rigorous risk management, we consider ourselves well equipped to react to a wide range of developments on the capital markets and in the political environment.

Yours sincerely,

Nikolaus von Bomhard

Interim management report

Business environment

// Global economy stabilises somewhat despite weak growth in the eurozone
// Inflation recedes in spite of the increasing oil price; interest rates remain low
// Considerable share price gains

Having weakened in the second half of the previous year, the global economy showed signs of stabilising in the first quarter of 2012, and developed rather better than anticipated. Owing to sluggish economic growth, inflation receded marginally in most regions in spite of the rising oil price and expansionary monetary policy. Interest rates remained at a low level in the USA and in Europe, whilst the stock markets recovered significantly.

In the USA, the more relaxed labour market situation and the expansionary monetary policy had positive effects on the economy in the first quarter of 2012. The strained real estate market and high level of private debt continue to have a negative impact. Japan's economy is gradually recovering in the wake of the severe earthquake, even if weak exports are still adversely affecting the trade balance. In the first quarter of 2012, the growth drivers were again reconstruction measures and private investment.

In the eurozone, as a consequence of the ongoing sovereign debt crisis, negative growth is expected in the first quarter of 2012 in almost all member states, Germany being a notable exception. As a consequence, economic activity in the peripheral states has been particularly badly impacted. On the financial markets, the second rescue package for Greece and the ECB's two three-year Long Term Refinancing Operations (LTRO) were responsible for improved sentiment and rising share prices. However, attention is increasingly being focused on the long-term risks of these measures.

The decline in growth in the industrialised world also had a dampening effect on the rate of economic expansion in emerging countries. As a result of the noticeable decline in export demand, China saw a deceleration of economic growth, although it still remained at a high level.

The mineral oil price again climbed appreciably in the first quarter of 2012 on account of the tense situation in the Middle East. The price per Brent barrel moved up from US$ 108 at the start of the year to US$ 124 at the end of March. At the same time, inflation fell slightly for reasons related to the state of the economy. In the first quarter of 2012, the average rate of inflation decreased from 3.3% in the fourth quarter of 2011 to 2.8% in the USA, from 2.9% to 2.7% in the eurozone, and from 4.6% to 3.8% in China.

The US Federal Reserve kept its key interest rate in the range of 0% to 0.25%, while the Bank of England adhered to a rate of 0.5% and the European Central Bank to 1.0%. Following a sharp increase in 2011, the key interest rate of the People's Bank of China also remained constant at 6.56% since January.

Against the background of the new fiscal pact in Europe, the successful debt restructuring measures for Greece and the moderately improved economic outlook, risk aversion among investors on the financial markets lessened appreciably in the first few months of 2012. The S&P 500 was up 12.0% between January and March, closing at 1,408 points on 31 March. The EURO STOXX 50 climbed by 6.9% to 2,477 points and the Japanese Nikkei by 19.3% to 10,084 points. Yields on ten-year US bonds moved up from 1.9% at the start of the year to 2.2% at the end of March, whereas those on German bonds remained stable at 1.8% in the same period. Following a bout of weakness at the beginning of the year, the euro recovered against the US dollar, closing the quarter at US$ 1.33.

Business performance

Overview

Key figures

	Q1 2012	Q1 2011	Change
	€m	€m	%
Gross premiums written	13,265	12,980	2.2
Technical result	972	–1,882	–
Investment result	2,244	1,956	14.7
Operating result	1,202	–1,384	–
Taxes on income	159	–612	–
Consolidated result	782	–948	–
Thereof: Attributable to non-controlling interests	2	–1	–
	31.3.2012	31.12.2011	Change
	€m	€m	%
Equity	24.4	23.3	4.8

Munich Re's Group-wide business performed very satisfactorily in the first three months of the year in the light of the still difficult macroeconomic climate: since the claims burden was significantly lower than in the same quarter last year, which had been affected by exceptionally severe natural catastrophes, the consolidated result amounted to €782m (–948m) and the operating result to €1,202m (–1,384m). This favourable development was also due to the investment result of €2,244m, which was 14.7% up on the same period last year (€1,956m), again benefiting from a good result on the disposal of equities and interest-bearing securities and from the positive contribution of investments for the benefit of life insurance policyholders who bear the investment risk.

Gross premium income totalled €13.3bn (13.0bn), an increase of 2.2%.

Equity amounted to €24.4bn in the first quarter, rising by €1.1bn compared with the beginning of the year. This increase was partly accounted for by the quarterly result and positive development of the valuation reserves on our investments owing to higher stock market prices and lower risk spreads.

The annualised return on risk-adjusted capital (RORAC) totalled 12.8%, whilst the return on equity (RoE) amounted to 13.1%.

In the first quarter of 2012, we modified our segment reporting with the aim of reflecting internal management criteria more closely and thus providing for even greater transparency with regard to income and expenses. Previously, the segment balance sheet and segment income statement had reflected the situation prior to the elimination of intra-Group business (including a separate column for consolidation). Now, the segments are shown after the elimination of intra-Group business. The previous year's figures have been adjusted accordingly. Further information can be found in the notes to the financial statements on page 35 ff.

On 29 March 2012, we issued two subordinated bonds with a volume of €900m and £450m respectively. With a term of 30 years, the bonds are first callable on 26 May 2022. Up to then, they have a coupon rate of 6.25% and 6.625% p.a. respectively and thereafter a floating rate. The bonds are designed to be compliant with the existing (Solvency I) and anticipated (Solvency II) supervisory regime, and to meet current rating agency requirements.

Reinsurance

// Overall premium growth of 1.7% to €6.8bn from January to March
// Satisfying treaty renewals at 1 January 2012: Quality of the portfolio improved in highly competitive environment
// Good combined ratio of 94.6% (161.3%[1])
// Investment result of €690m (939m)
// Good consolidated result of €634m (–1,010m)

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

Reinsurance – Life

Key figures[1]

		Q1 2012	Q1 2011	Change
				%
Gross premiums written	€m	2,599	2,364	9.9
Share of gross premiums written in reinsurance	%	38.0	35.1	
Operating result	€m	190	298	–36.2
Consolidated result	€m	129	203	–36.5

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

Result

The performance of our life reinsurance business in the first three months of 2012 was extremely satisfactory, as evidenced by the technical result of €153m, which maintained last year's level (€152m). We thus see ourselves well on track to achieve our goal of around €400m for the year 2012. The result reflects good claims experience overall in our core markets as well as the anticipated profit contributions from large-volume reinsurance solutions written in past years by clients seeking capital relief through risk transfer. The investment result showed a year-on-year decrease from €283m to €180m. In 2011, we had realised particularly high capital gains on fixed-interest securities in the USA. At €190m, the operating result consequently remained below the previous year's figure (€298m). The same effect made itself felt in the consolidated result of €129m (203m).

Premium

Proceeding from the high level achieved in recent years, premium in life reinsurance increased year on year by a further 9.9% to €2,599m in the period from January to March 2012. The main driver of the gratifying development over the last few years, with significant growth in premium income, has been a number of treaties (some large in volume) where reinsurance primarily serves as a capital substitute. Since the beginning of the capital market crisis in 2008, demand for these solutions has increased dramatically, particularly in North America, Asia, and Continental Europe. In Asia, the primary insurance markets are growing robustly, and we are able to participate in this growth thanks to our strong market position. On the other hand, growth is being

1 Including risk transfer to the capital markets.

curbed by the weakness of the economy, which partially impacts our clients' business development and thus also reduces the volume of business available in reinsurance. Changes in exchange rates positively affected premium development in the first quarter. If exchange rates had remained unchanged, our premium income would have risen by 5.8%.

Reinsurance – Property-casualty

Key figures

		Q1 2012	Q1 2011	Change
				%
Gross premiums written	€m	4,245	4,363	–2.7
Share of gross premiums written in reinsurance	%	62.0	64.9	
Loss ratio[1]	%	63.7	131.9	
Thereof: Major losses[1]	Percentage points	6.3	73.3	
Expense ratio	%	30.9	29.4	
Combined ratio[1]	%	94.6	161.3	
Operating result	€m	716	–1,888	–
Consolidated result	€m	505	–1,213	–

[1] Q1/2011: Including risk transfer to the capital markets.

Result

Business in property-casualty reinsurance developed very positively overall in the first three months of 2012. Whereas our result for the first quarter of last year was negative (–€1,213m) owing to very high costs for natural catastrophes, our consolidated result for the first quarter of 2012 was a profit of €505m. The operating result improved to €716m (–1,888m). The investment result declined year on year from €656m to €510m, mainly owing to the fact that in the same quarter last year we benefited from a write-up of approximately €200m from the Muteki catastrophe bond, with which we transferred insurance risks from a Japanese primary insurer to the capital market.

Major losses developed moderately in the first quarter, with total expenditure amounting to €264m after retrocession and before tax, a below-average figure compared with the past five years. At €41m on balance, our expenditure for natural catastrophes remained well below the previous year's figure, which had been impacted by the severe destruction in Japan, New Zealand, and Australia. Man-made losses accounted for €223m.

The combined ratio in the property-casualty reinsurance segment for the first three months of 2012 amounted to 94.6% (161.3%[1]) of net earned premiums. For the period under review, it is thus well within our target of around 96% over the market and interest-rate cycle as a whole. The series of tornadoes that struck the US states of Indiana, Kentucky, Ohio and Alabama at the beginning of March, affecting large areas and killing 39 people in their wake, led to a net burden of roughly €54m. Of the man-made losses, the accident involving cruise ship Costa Concordia merits particular mention. The ship ran aground off the Italian island of Giglio on 13 January 2012. Based on current estimates, Munich Re expects its claims burden to be in the mid double-digit million euro range. The volume of major losses thus remained far below last year's exceptionally high level and also below what is statistically expectable.

[1] Including risk transfer to the capital markets.

Premium

Gross premiums by division – Q1 2012

Our premium income in property-casualty reinsurance decreased year on year by 2.7% to €4,245m (4,363m). This decrease was attributable to a technical adjustment in posting logic for gross premiums written. With effect from the first quarter of 2012, all companies now break down annual gross premiums accurately by quarter in line with Group practice. The effect, which amounts to approximately €300m, will be balanced out over the following quarters of 2012. The adjustment does not result in any changes in earned premiums, which rose by 8.4% compared with the first quarter of 2011. Organic rate increases for natural catastrophe covers and rising premium volumes in US agricultural insurance and Chinese motor insurance business had a particularly positive impact. Without currency translation effects, premium income would have been €248m lower, equivalent to a reduction of 5.7% year on year. In the case of earned premiums, the increase would have amounted to only 4.6%.

Price trends in the global property-casualty reinsurance markets varied greatly. Fire reinsurance showed appreciable hikes in rates, especially in regions affected by high natural catastrophe losses such as Australia and Southeast Asia. Significant price increases were achieved for the insurance of natural catastrophe risks in the USA as well. In most other regions and classes of business, prices moved sideways. In aviation business, however, prices remained under pressure. A certain amount of pressure on rates has also made itself felt in credit and surety business, albeit starting from a fairly comfortable level. As at 1 January 2012, around half of our business in property-casualty reinsurance with a premium volume of roughly €8.5bn was up for renewal. In a heterogeneous market environment, our global diversification enabled us to take specific advantage of business opportunities in attractive markets and segments. Overall, we were able to expand premium income by around €0.2bn (+2.6%). In accordance with our profit-oriented underwriting policy, we refrained from renewing business that did not meet our pricing requirements. In particular, we reduced our European property business, traditional marine business and selected subportfolios in XL liability and motor business. By contrast, we posted growth via our profitable business relationships with strategic partners, notably in UK motor business. We achieved price increases in the low double-digit percentage range for US natural catastrophe covers and appreciably higher ones in Australia and Asia. All in all, the profitability of our entire portfolio was enhanced by a price increase of around 2%.

Primary insurance

// Total premium volume of €5.0bn
// Combined ratio at a satisfying 95.3%
// 54.4% increase in the investment result to €1.5bn
// Consolidated result of €145m

All Munich Re's primary insurance business is combined in the ERGO Insurance Group. ERGO operates in nearly all lines of life, health and property-casualty insurance. We have systematically pursued the path we started down in 2010 under the motto "To insure is to understand", continuing our work on improving the transparency of products and the quality of advice and service. In international business, ERGO is focusing mainly on the growth markets in central and eastern Europe and in Asia.

Primary insurance – Life

Key figures

		Q1 2012	Q1 2011	Change
				%
Total premium income[1]	€m	1,724	1,796	–4.0
Gross premiums written	€m	1,449	1,522	–4.8
Share of gross premiums written in primary insurance	%	30.6	31.9	
Operating result	€m	110	37	197.3
Consolidated result	€m	86	28	207.1

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.

Result

The consolidated result in life primary insurance increased to €86m (28m) for the past quarter. A major factor was the significantly improved investment result, although a large portion of this improvement did not have any effect on the income statement, as it was attributable to the clearly positive contribution from investments for the benefit of life insurance policyholders who bear the investment risk. Overall, the volume of write-downs on our interest-rate hedges was small at €17m (89m), with an impact of –€3.2m on the result. The effects of the slight decline in interest rates since the beginning of the year was more than offset by the effects of lower volatility. Gains on disposal significantly exceeded losses on disposal. Our operating result rose substantially to €110m (37m), with the technical result also developing favourably.

Premium

Overall premium income in life insurance (including the savings premiums from unit-linked life insurance and capitalisation products) totalled €1.72bn (1.80bn) in the first quarter of 2012, a reduction of 4.0% compared with the same quarter last year. In international business, we posted overall premium volume of €0.45bn (0.49bn). Especially in Austria, premium income reduced owing to lower premium in unit-linked life insurance. Total premium volume in Germany totalled €1.28bn (1.30bn). Gross premiums written in and outside Germany amounted to €1.45bn (1.52bn), declining by 4.2% to €1.07bn (1.11bn) for German business and by €0.38bn (0.41bn) for international business. In Germany, new regular-premium business was up 1.1% for the past quarter, whilst the figure for new single-premium business was 3.5% higher year on year. On balance, new business volume in Germany grew by 2.8% to €297m (289m). Measured in terms of annual premium equivalent (APE) – the customary international performance measure – growth amounted to 1.8%. International new business fell by 16.4% to €184m (220m). In terms of APE, the decrease totalled 14.9%, mainly owing to the lower level of new business in Austria and Poland.

Primary insurance – Health

Key figures

		Q1 2012	Q1 2011	Change
				%
Gross premiums written	€m	1,457	1,456	0.1
Share of gross premiums written in primary insurance	%	30.7	30.6	
Operating result	€m	33	58	–43.1
Consolidated result	€m	16	28	–42.9

Result

In health insurance business, the consolidated result for the period January to March 2012 fell to €16m (28m) compared with the same period last year. This reduction was mainly due to the year-on-year decline in the investment result from €349m to €321m, primarily as a consequence of lower gains on the disposal of equities. In addition, there was a rise in claims expenditure. The operating result decreased to €33m (58m), and the technical result amounted to €79m (94m).

Premium

In the first three months of 2012, premium volume in the health segment remained stable (+0.1%) at €1,457m (1,456m). Business with supplementary benefit covers rose by 3.4%, whilst premium income in comprehensive health insurance was slightly down by 0.4%, largely reflecting the low premium adjustment at the beginning of the year. As expected, new business was significantly lower year on year (–24.4%). In the first quarter of 2011, comprehensive health insurance business had benefited significantly from the abolition as at 1 January 2011 of the three-year waiting period for switching to private health insurance. In travel insurance, which is accounted for in the health segment, we registered a rise in premium volume of 4.5% for the period from January to March 2012. Expansion was especially apparent in German business. Overall, however, the strong growth seen in travel insurance in recent quarters is gradually decelerating.

Primary insurance – Property-casualty

Key figures

		Q1 2012	Q1 2011	Change
				%
Gross premiums written	€m	1,835	1,788	2.6
Share of gross premiums written in primary insurance	%	38.7	37.5	
Loss ratio	%	60.4	62.0	
Expense ratio	%	34.9	34.9	
Combined ratio	%	95.3	96.9	
Operating result	€m	114	72	58.3
Consolidated result	€m	43	–3	–

Result

The consolidated result in property-casualty insurance rose appreciably to €43m (–3m) in the first quarter of 2012, the increase being chiefly attributable to improvements in international business. The investment result increased marginally from €78m to €82m compared with the same quarter last year. The operating result was up by 58.3% to €114m (72m), and the technical result also developed positively to €97m (64m).

At 95.3%, the combined ratio was slightly better than in last year's first quarter (96.9%). In Germany, the combined ratio amounted to 91.3%, 2.9 percentage points higher than in the same quarter last year, the difference being mainly attributable to prior-year effects. In international business, the combined ratio amounted to 101.3%, a substantial improvement on the same period last year (109.2%). The figures are beginning to reflect our consolidation measures. Besides a markedly better result in Poland, where the burden from weather losses was lower than in the same period last year, we also achieved a considerably improved combined ratio in Turkey. Nevertheless, we still have some way to go before we can post consistently good results. The effects of the sale of our South Korean subsidiary ERGO Daum (see page 58) are not yet taken into account in these quarterly figures.

Paid claims and the change in claims provisions totalled €789m (791m) and net operating expenses €457m (445m), compared with net earned premiums of €1,306m (1,277m).

Premium

Premium income in the past quarter rose to €1.84bn (1.79bn), the growth of 2.6% deriving from German business, where premium showed an increase of 4.2% to €1.23bn (1.18bn). As in the previous quarters, this development was largely driven by commercial and industrial business, which accounted for premium growth of 9.6%. In personal accident insurance, our largest single class, there was a decrease of 2.0% in the first quarter of 2012, due in particular to lower sales of personal accident insurance policies with premium return. In motor insurance, our premium income rose further in the first quarter (1.1%). Legal protection insurance recorded premium growth of 1.1% in Germany. The figure for international property-casualty insurance was adversely affected by the sale of our Portuguese subsidiary, whose premium income had been included in the first quarter of 2011, as well as by ongoing remedial measures and negative currency translation effects. We posted good growth especially in Poland and in legal protection insurance in the United Kingdom.

Munich Health

// Year-on-year premium increase of 13.0%
// Combined ratio of 99.5%
// Result of €5m for the first three months impacted by foreign exchange losses

Key figures

		Q1 2012	Q1 2011	Change
				%
Gross premiums written	€bn	1.7	1.5	13.0
Loss ratio[1]	%	80.2	81.7	
Expense ratio[1]	%	19.3	18.2	
Combined ratio[1]	%	99.5	99.9	
Operating result	€m	32	37	–13.5
Consolidated result	€m	5	17	–70.6

[1] Excluding business conducted like life insurance.

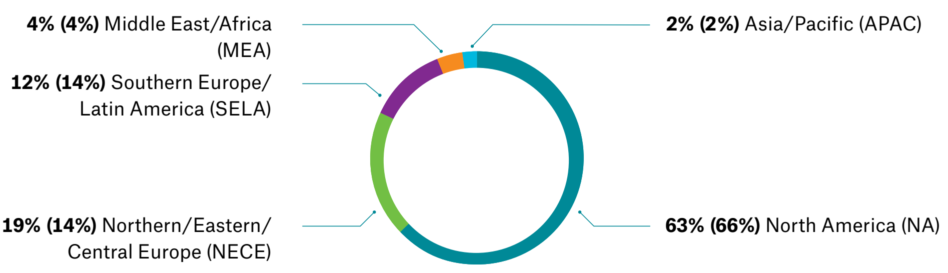
Result

In the first quarter of 2012, Munich Health posted a consolidated result of €5m. The operating result was down 13.5% to €32m owing to the lower “other operating result”, while the investment result included in this figure amounted to €33m, virtually the same level as last year (€34m). The technical result – at €12m – was higher than in the first quarter of 2011 (€5m).

Munich Health’s combined ratio for the period January to March amounted to 99.5% (99.9%). This ratio relates only to short-term health business, not to business conducted like life insurance, the latter accounting for 7.9% (8.5%) of gross premiums written in the first quarter. In reinsurance, the lower combined ratio of 98.5% is attributable to more favourable claims experience overall and profitable new business. By contrast, the combined ratio for primary insurance increased to 102.0%, mainly because business development at Sterling deteriorated, particularly in the case of its cost reimbursement products. Last year’s acquisition of the Windsor Group enabled us to enter the viable and promising market for profitable managed care products. However, this business has not yet been able to offset the losses due to high claims costs for Sterling’s run-off business.

Premium

Gross premiums by market region – Q1 2012



Gross premiums written showed an increase of 13.0% to €1.7bn (1.5bn). If exchange rates had remained the same, premium volume would have been 10.4% higher than in the first three months of 2011. Gross premiums written in reinsurance were up by 11.4% to €1.1bn (1.0bn), mainly owing to higher premium income from large-volume treaties and organic growth, especially in North America and the United Kingdom. In primary insurance, we posted premium growth, particularly from the European primary insurance companies. Overall, premium income increased by 16.0% to €0.6bn (0.5bn).

Investment performance

// Portfolio of pfandbriefs and US government bonds expanded
// Investment result of €2.2bn
// Exchange of Greek government bonds concluded

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

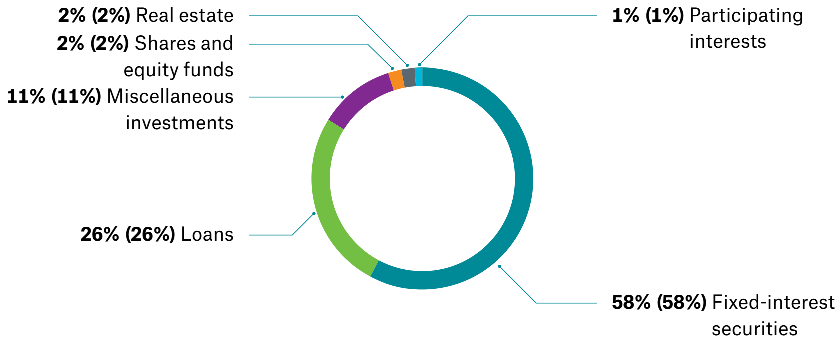
Investment mix

	Reinsurance					
	Life		Property-casualty		Life	
€m	31.3.2012	31.12.2011	31.3.2012	31.12.2011	31.3.2012	31.12.2011
Land and buildings, including buildings on third-party land	241	257	1,202	1,187	1,427	1,445
Investments in affiliated companies	15	14	67	62	32	31
Investments in associates	1	75	498	391	101	101
Loans	14	14	55	56	35,341	33,910
Other securities held to maturity	–	–	–	–	11	13
Other securities available for sale						
Fixed-interest	13,408	13,594	48,130	46,664	33,004	32,584
Non-fixed-interest	878	895	4,077	4,691	1,771	1,768
Other securities at fair value through profit or loss						
Held for trading						
Fixed-interest	–	–	540	508	59	59
Non-fixed-interest	–	–	29	28	–	–
Derivatives	484	549	207	373	689	765
Designated as at fair value through profit or loss						
Fixed-interest	–	–	–	–	173	161
Non-fixed-interest	–	–	–	–	4	4
Deposits retained on assumed reinsurance	7,522	7,784	1,210	1,196	163	165
Other investments	146	193	861	943	581	925
Investments for the benefit of life insurance policyholders who bear the investment risk	–	–	–	–	5,555	5,092
Total	**22,709**	**23,375**	**56,876**	**56,099**	**78,911**	**77,023**

	Primary insurance				Munich Health		Asset management		Total	
	Health		Property-casualty							
	31.3.2012	31.12.2011	31.3.2012	31.12.2011	31.3.2012	31.12.2011	31.3.2012	31.12.2011	31.3.2012	31.12.2011
	792	796	109	109	30	31	68	64	3,869	3,889
	12	12	76	76	12	11	8	8	222	214
	87	86	147	150	77	71	68	66	979	940
	16,691	16,934	2,395	2,323	23	23	–	–	54,519	53,260
	–	–	–	–	–	–	–	–	11	13
	13,651	12,686	5,335	5,656	3,200	3,864	658	171	117,386	115,219
	394	387	579	433	175	216	69	68	7,943	8,458
	–	–	–	–	1	–	–	–	600	567
	2	3	–	–	1	–	–	–	32	31
	84	67	15	9	8	9	–	–	1,487	1,772
	–	–	–	–	–	–	–	–	173	161
	–	–	–	–	–	1	–	–	4	5
	1	1	4	4	305	280	–	–	9,205	9,430
	67	76	466	139	98	114	1,242	265	3,461	2,655
	–	–	–	–	1	1	–	–	5,556	5,093
	31,781	**31,048**	**9,126**	**8,899**	**3,931**	**4,621**	**2,113**	**642**	**205,447**	**201,707**

Distribution of investments by type

Total: €205bn (202bn)



We report on the development of the capital market parameters in the "Business environment" section of the quarterly report. The carrying amount of our investment portfolio, which continues to be dominated by fixed-interest securities, loans and short-term fixed-interest investments, improved compared with the position at the beginning of the year. Our on- and off-balance-sheet valuation reserves (excluding owner-occupied property), which could be turned into realised gains upon disposal of the relevant investments, climbed from €11.2bn to €13.6bn. This increase was attributable to significant gains in market value owing to lower risk spreads, which more than offset falls in market value from marginally higher interest rates outside the eurozone. The valuation reserves on our equity portfolio also rose. The main influx of funds into our investment portfolio derived from the issue of our subordinated bonds as at 29 March 2012. If it had not been for the stronger euro, the increase in our investment portfolio would have been even greater.

Other securities available for sale

	Carrying amounts		Unrealised gains/losses		At amortised cost	
€m	31.3.2012	31.12.2011	31.3.2012	31.12.2011	31.3.2012	31.12.2011
Fixed-interest	117,386	115,219	5,817	4,892	111,569	110,327
Non-fixed-interest	7,943	8,458	1,159	693	6,784	7,765
Total	**125,329**	**123,677**	**6,976**	**5,585**	**118,353**	**118,092**

Valuation reserves not recognised in the balance sheet

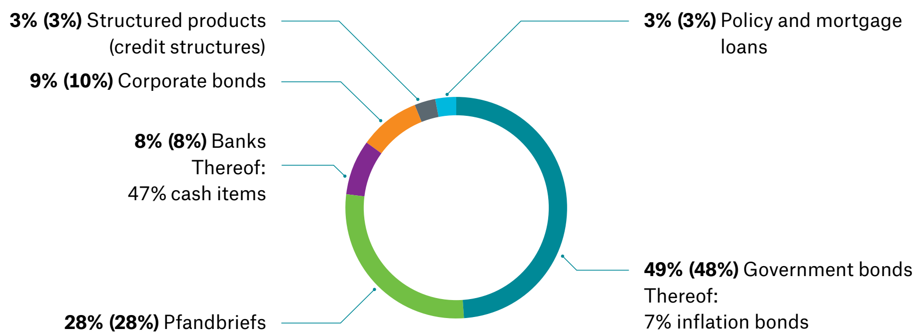
	Valuation reserves	Fair value	Carrying amount	Valuation reserves	Fair value	Carrying amount
€m	31.3.2012	31.3.2012	31.3.2012	31.12.2011	31.12.2011	31.12.2011
Land and buildings[1]	1,677	7,932	6,255	1,739	8,013	6,274
Associates	276	1,240	964	326	1,250	924
Loans	4,654	59,173	54,519	3,633	56,893	53,260
Other securities	–	11	11	–	13	13
Tangible assets in renewable energies	9	266	257	7	267	260
Total	**6,616**	**68,622**	**62,006**	**5,705**	**66,436**	**60,731**

[1] Including owner-occupied property.

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

Fixed-interest portfolio according to economic categories[1]

Total: €183.4bn



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

Pursuing our risk-conscious investment policy, we had already reduced our investments in southern European government bonds considerably in the previous financial year. Only approximately 2% of our portfolio of government bonds is now made up of Greek, Irish and Portuguese bonds, with a further 5% in Italian and Spanish bonds. In the first quarter of this financial year, we invested more extensively in pfandbriefs from Australia, France and Spain, and in US government bonds and bonds issued by European Union institutions. New investments in government bonds from the emerging markets are also part of our balanced investment strategy. Alongside the 9% of our portfolio we show invested in corporate bonds, we also hold credit derivatives, thus increasing our credit exposure mainly to corporates by a further two percentage points relative to the fixed-interest portfolio.

Fixed-interest securities: Bank portfolio[1]

%	31.3.2012	31.12.2011
Senior bonds	35	39
Loss-bearing and subordinated liabilities	8	9
Cash items	47	40
Refinancing loans	1	2
Investment funds	6	7
Derivatives	3	3

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

Our limited exposure to banks remained more or less unchanged. At the reporting date, our proportion of bank bonds from southern European states and Ireland was under 3%. In addition to deposits and cash, a major portion of our receivables from banks are senior bonds, i.e. bonds that are not subordinated or subject to loss participation. Our holdings of subordinated bonds and bonds with loss participation are very limited in scale.

The carrying amount of our equity portfolio (including investments in affiliated companies and associates at market value) remained virtually unchanged. At the reporting date, our equity-backing ratio was 3.1% (3.2%).

As protection against rapid inflation, we hold inflation-indexed bonds and inflation swaps with a total (nominal) value of €11.7bn (9.2bn) and investments in real assets such as equities, real estate, commodities and renewable energies, which also provide a positive diversification effect for the portfolio as a whole.

Investment result

	Q1 2012		Q1 2011	
		Return[1]		Return[1]
	€m	%	€m	%
Regular income	1,889	3.6	1,903	3.9
Write-ups/write-downs	–179	–0.3	–137	–0.3
Net realised capital gains	372	0.7	400	0.8
Other income/expenses	162	0.3	–210	–0.4
Total	**2,244**	**4.3**	**1,956**	**4.0**

[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 2012	Q1 2011	Change
	€m	€m	%
Real estate	99	72	37.5
Investments in affiliated companies	2	–2	–
Investments in associates	–2	7	–
Mortgage loans and other loans	595	535	11.2
Other securities	1,305	1,471	–11.3
Deposits retained on assumed reinsurance, and other investments	61	45	35.6
Investments for the benefit of life insurance policyholders who bear the investment risk	292	–73	–
Expenses for the management of investments, other expenses	108	99	9.1
Total	**2,244**	**1,956**	**14.7**

Regular income

Whereas the level of regular income from investments was more or less the same as last year in terms of amount, the return was down. This is a consequence of the higher average carrying amount of the investment portfolio, the persistently low interest-rate level and conscious restructuring in favour of government bonds of good credit standing but with lower yields.

Write-ups and write-downs

In the write-ups and write-downs of our investments, we posted net write-downs of €17m (89m) on our swaptions and other interest-rate derivatives due to a slight rise in interest-rate levels. Swaptions are used in hedging long-term interest-rate guarantees extended to life insurance clients. In an environment of rising interest rates, the fulfilment of such guarantees will increasingly take place directly via higher regular income from reinvestment.

Realised gains/losses on investments

In the period under review, we recorded net gains on disposal for our investment portfolio as a whole.

We realised gains mainly on the disposal of government bonds, pfandbriefs and equities, but also net on the disposal of credit and commodity derivatives.

A realised loss resulted from the exchange of Greek government bonds. In this process, bonds issued under Greek law were swapped for European stability fund (EFSF) bonds at a rate of 15% of the original nominal value, and new Greek government bonds at a rate of 31.5% of the original nominal value, although the latter show a market value well below this 31.5% because their interest rate is inadequate in market terms. As we had already written down our Greek government bonds to their market value in 2011, in the first quarter of 2012 we needed to post as a realised loss only the difference of around €9m between that figure and the even lower market values at the time of exchange.

Our equity derivatives, which we use to hedge our equity portfolio against price losses, declined in value owing to positive trends on the markets, thus impacting the result from the disposal of investments. By contrast, the opposite positive market value development of our equity portfolio and the resulting increase in valuation reserves will only be recognised in the income statement when the portfolio is sold.

Insurance derivatives

Also included in investments are securitisations by means of which we pass on or hold underwriting risks via capital market covers such as catastrophe bonds and special forms of unit-linked life insurance (variable annuities). Regular income or expenditure, realised gains and write-ups/write-downs arising from changes in the value of our capital market covers are shown as a result from derivatives in the investment result. In the period under consideration, such covers contributed approximately –€10m to the investment result, whereas in the previous year a particularly high positive balance of approximately €200m from write-ups and write-downs was posted in the wake of the earthquake in Japan.

Asset management

Assets under management for third parties

	31.3.2012	31.12.2011	Change
	€bn	€bn	%
Third-party investments	10.6	10.4	1.9
Thereof: External institutional investors	8.6	8.5	1.2
Thereof: Private-client business	2.0	1.9	5.3
	Q1 2012	Q1 2011	Change
	€m	€m	%
Group asset management result	–2	–8	75.0

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 €40.2bn (39.8bn).

Prospects

// Premium income in the range of €49–51bn expected
// Anticipated return on investment of around 3.5%
// Consolidated result in the order of €2.5bn envisaged

Limits to forecasting results

There are various reasons why the quarterly results of insurance companies, including Munich Re, are not always a reliable indicator for the results of the entire financial year. Losses from natural catastrophes and other major losses have a disproportionate impact on the result of the reporting period in which they randomly and unforeseeably occur. Late-reported claims for major loss events can also lead to substantial fluctuations in individual quarterly results. Finally, gains and losses on the disposal of investments, dividends, and write-ups or write-downs of investments do not follow a regular pattern. Predictions about the forthcoming development of our Group are based primarily on planning figures, forecasts and expectations, whose realisation we of course cannot guarantee.

Changes in segment reporting

As of the first quarter of 2012, we have modified our segment reporting with the aim of reflecting internal management criteria more closely and providing for greater transparency with regard to income and expenses. Previously, the segment balance sheet and segment income statement had reflected the situation prior to the elimination of intra-Group business (including a separate column for consolidation). From the first quarter of 2012, the segments are shown after the elimination of intra-Group business. For this reason, the outlook we gave for 2012 in the 2011 annual report for the segments reinsurance, primary insurance and Munich Health can no longer be directly compared with the forecasts of this quarterly report for these segments. In general, compared with the view prior to the elimination of intra-Group business, the projections for segment premiums and the segment result are lower or at most the same. As an example, in the reinsurance segments, the premiums and results from intra-Group reinsurance or dividend income from the shareholding in ERGO Versicherungsgruppe AG are no longer included. By comparison, the effects on the combined ratio are of minor relevance, so that the statements on this presented in the 2011 annual report apply unchanged. In the following outlook for the individual segments, reference will be made to any expectations that have changed from those indicated in the 2011 annual report. The changes to segment reporting have no effect on the consolidated result expected for the Group. Further information on the change can be found in the notes to the financial statements on page 35.

Business environment

Over the year as a whole, growth in the global economy will slow in 2012 compared with 2011, resulting in lower inflation than last year. Uncertainties remain regarding the further course of the sovereign debt crisis in Europe and its effects on other countries, as well as a potential escalation of the political conflicts in the Middle East, which would pose risks not only for the economy but also – if the oil price rises – for the inflation outlook. If politicians succeed in further strengthening confidence on the capital markets in connection with the sovereign debt crisis, the global economy could produce positive surprises in the second half of 2012.

Reinsurance

Reinsurance continues to hold considerable promise for the future, with a wide variety of earnings opportunities. Particularly after major losses of the kind we experienced in 2011, general risk awareness is heightened. Munich Re offers its cedants specialist consulting services and extensive solutions, also for tasks such as balance sheet management, risk modelling and asset-liability management. Reinsurance is an efficient and flexible option for protecting primary insurers against major claims and accumulation losses, or strengthening their capital base. In addition to this, we devise innovative coverage concepts that go beyond the scope of traditional reinsurance. And we partner our clients in the often challenging task of adjusting to changes in regulatory requirements, which are being made significantly more demanding in many countries.

We see further growth opportunities in life reinsurance and are experiencing continuing demand for capital substitute solutions. Opportunities will also derive from the privatisation trends in provision for old age, long term care and disability, from the need for asset protection, and from the dynamic expansion of the Asian life insurance markets. For 2012, we expect an increase in gross premiums written to just over €10bn and are targeting a technical result of around €400m. In 2010, we set ourselves the objective of achieving value added by new business of €450m a year by 2015 based on Market Consistent Embedded Value (MCEV) Principles. Given the very good results of recent years, we see ourselves as well positioned to achieve this goal.

In property-casualty reinsurance, around €1.2bn or approximately 10% of the portfolio was up for renewal at 1 April 2012. Some 40% of this concerned the markets of Japan and Korea, and another 37% North America and Global Clients. The renewal negotiations in Japan took place against the background of last year's earthquake in Japan and flood disaster in Thailand. Despite the high losses incurred, sufficient earthquake cover capacity was available on the market. Munich Re also kept its provision of capacity constant and thus benefited from the high double-digit price increases. In particular by expanding its windstorm and flood covers, Munich Re benefited from higher prices achievable as a result of the general hardening of the market. The price increases realised in the January renewals for natural catastrophe risks continued in US business. In the renewals of reinsurance treaties, Munich Re is maintaining its clear, profit-oriented underwriting policy and accepts risks only at commensurate prices, terms and conditions. For example, we reduced proportional earthquake covers in Japan in cases where no agreement could be reached on the level of liability limits per loss event. Altogether, we were able to improve the profitability of the portfolio as a whole with an average price increase of around 5%.

The renewals at 1 July 2012 will chiefly concern treaty business in the US market, in Australia and in Latin America. As in April, a large proportion of this business (30%) involves natural catastrophe covers. Given the high claims costs in the last two years, we anticipate further price increases in the regions affected. We also expect higher prices in the USA. Munich Re remains very well positioned to take specific advantage of the opportunities that arise.

For 2012, we expect gross premiums written of around €16.5bn in property-casualty reinsurance. We aim for a combined ratio of approximately 96% of net earned premiums over the market and interest-rate cycle as a whole, and for 2012. The uncertainties involved in this long-term estimate derive in part from the random incidence of major-loss expenditure. The consolidated result in reinsurance should total between €1.9bn and €2.1bn in 2012, a slight increase on the outlook given in the 2011 annual report (cf. "Changes in segment reporting" on page 20).

If exchange rates remain constant, gross premiums in reinsurance should range between €26bn and €27bn in 2012. In life reinsurance in particular, the expected figure has risen compared with the forecast made in the 2011 annual report.

Primary insurance

We see good opportunities for primary insurance not only in evolving foreign markets but also in various sectors of our German domestic market. For 2012, we expect premium development in the individual segments of primary insurance to be varied, with a positive trend overall.

In life primary insurance, our total premium income is likely to be below the previous year's level at just under €7.5bn, with gross premiums written totalling slightly under €6bn. Developments in German and international business will, however, greatly hinge on single-premium business, income from which will depend on movements in the interest-rate environment in the further course of the year, among other things. It remains to be seen how the reduction in the guaranteed interest rate in Germany as at 1 January 2012 and the introduction of unisex pricing as at 21 December 2012 will influence premium development.

In the health segment, we are aiming for a slight increase in premium income to just under €6bn. While we should achieve premium expansion in supplementary health cover, premiums in comprehensive health insurance are likely to remain at around the same level as last year.

In property-casualty insurance, we expect premium growth to just over €5.5bn, which should derive from both German and especially international business. Our target combined ratio for property-casualty business is a good level of below 95%, and in international business we anticipate a further improvement compared with 2011. There is likely to be an adverse impact on our result from the sale of our South Korean subsidiary (see page 58).

We project that total premium income in primary insurance will be slightly below €19bn in 2012, a marginally lower figure than that envisaged at the end of 2011, and anticipate gross premiums written totalling between €17bn and €18bn.

For the primary insurance segment, we are targeting a consolidated result of around €450m, and expect around €400m for the ERGO Group. The difference compared with the figure for the primary insurance segment is mainly attributable to interest expenses for intra-Group financing and reinsurance deposits which are accounted for in the ERGO Group and are eliminated at Group level.

Munich Health

There are a host of growth avenues in the international healthcare markets, in particular due to advances in medicine and improved life expectancy. We intend to take advantage of these opportunities. Gross premiums written by Munich Health are likely to be approximately €6.5bn in 2012, a somewhat higher forecast than given in the 2011 annual report. We anticipate that the combined ratio for property-casualty business will be around 99%. Large-volume capital substitute solutions will ensure continued growth. The consolidated result for 2012 should be about €50m.

Munich Re (Group)

Our assumption is that the Group's gross premiums written in 2012 will be in the range of €49–51bn, provided there are no significant changes in exchange rates compared with the average rates for the first quarter.

We are adhering to our long-term objective of a 15% return on our risk-adjusted capital (RORAC) after tax across the cycle of the insurance and interest-rate markets. However, this target will be difficult to achieve given the currently low level of interest rates on low-risk investments. Once the requirements of Solvency II and the principles of the new IFRSs for insurance contracts and financial instruments have been finalised, we will gear our target performance measures to the key indicators from this new framework with its strong economic focus.

For the current year, given a general upward price trend in reinsurance and average loss experience, we project a considerably higher technical result than in 2011. A return on investment of around 3.5% is anticipated. If actual claims experience with regard to major losses is within normal bounds and there are no severe currency or capital market movements, we expect that for 2012 we will be able to achieve a profit in the region of €2.5bn. This would amount to a RORAC of approximately 10%.

After issuing new bonds with a total face value of around €1.4bn in March 2012, we bought back a nominal volume of approximately €678m of our subordinated bond 2003/2023 in April 2012 as part of our active capital management.

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

Interim consolidated financial statements
Consolidated balance sheet as at 31 March 2012

Assets

			31.3.2012	31.12.2011		Change
	€m	€m	€m	€m	€m	%
A. Intangible assets						
I. Goodwill		3,474		3,511	-37	-1.1
II. Other intangible assets		1,528		1,581	-53	-3.4
			5,002	**5,092**	**-90**	**-1.8**
B. Investments						
I. Land and buildings, including buildings on third-party land		3,869		3,889	-20	-0.5
Thereof: Held for sale		–		13	-13	-100.0
II. Investments in affiliated companies and associates		1,201		1,154	47	4.1
Thereof: Associates accounted for using the equity method		964		924	40	4.3
III. Loans		54,519		53,260	1,259	2.4
IV. Other securities						
1. Held to maturity	11			13	-2	-15.4
2. Available for sale	125,329			123,677	1,652	1.3
Thereof: Held for sale	16			52	-36	-69.2
3. At fair value through profit or loss	2,296			2,536	-240	-9.5
		127,636		126,226	1,410	1.1
V. Deposits retained on assumed reinsurance		9,205		9,430	-225	-2.4
VI. Other investments		3,461		2,655	806	30.4
			199,891	**196,614**	**3,277**	**1.7**
C. Investments for the benefit of life insurance policyholders who bear the investment risk			**5,556**	**5,093**	**463**	**9.1**
Thereof: Held for sale			107	–	107	–
D. Ceded share of technical provisions			**5,727**	**5,634**	**93**	**1.7**
Thereof: Held for sale			–	13	-13	-100.0
E. Receivables						
I. Current tax receivables		747		802	-55	-6.9
II. Other receivables		11,952		11,292	660	5.8
			12,699	**12,094**	**605**	**5.0**
F. Cash at bank, cheques and cash in hand			**2,533**	**2,490**	**43**	**1.7**
G. Deferred acquisition costs						
Gross		9,383		9,386	-3	0.0
Ceded share		119		44	75	170.5
Net			9,264	9,342	-78	-0.8
H. Deferred tax assets			**7,717**	**7,547**	**170**	**2.3**
I. Other assets			**3,536**	**3,674**	**-138**	**-3.8**
Total assets			**251,925**	**247,580**	**4,345**	**1.8**

Equity and liabilities

		31.3.2012	31.12.2011		Change
	€m	€m	€m	€m	%
A. Equity					
I. Issued capital and capital reserve	7,388		7,388	–	–
II. Retained earnings	12,316		11,588	728	6.3
III. Other reserves	3,722		3,384	338	10.0
IV. Consolidated result attributable to Munich Reinsurance Company equity holders	780		702	78	11.1
V. Non-controlling interests	220		247	-27	-10.9
		24,426	**23,309**	**1,117**	**4.8**
B. Subordinated liabilities		**6,122**	**4,683**	**1,439**	**30.7**
C. Gross technical provisions					
I. Unearned premiums	8,819		8,391	428	5.1
Thereof: Held for sale	–		24	-24	-100.0
II. Provision for future policy benefits	108,916		108,477	439	0.4
Thereof: Held for sale	15		–	15	–
III. Provision for outstanding claims	53,843		54,392	-549	-1.0
Thereof: Held for sale	–		16	-16	-100.0
IV. Other technical provisions	11,102		10,162	940	9.3
		182,680	**181,422**	**1,258**	**0.7**
D. Gross technical provisions for life insurance policies where the investment risk is borne by the policyholders		**5,842**	**5,373**	**469**	**8.7**
Thereof: Held for sale		107	–	107	–
E. Other accrued liabilities		**3,447**	**3,522**	**-75**	**-2.1**
F. Liabilities					
I. Bonds and notes issued	256		263	-7	-2.7
II. Deposits retained on ceded business	2,737		2,726	11	0.4
III. Current tax liabilities	3,345		3,388	-43	-1.3
IV. Other liabilities	13,047		13,051	-4	0.0
		19,385	**19,428**	**-43**	**-0.2**
G. Deferred tax liabilities		**10,023**	**9,843**	**180**	**1.8**
Total equity and liabilities		**251,925**	**247,580**	**4,345**	**1.8**

Consolidated income statement for the period 1 January to 31 March 2012

Items

			Q1 2012	Q1 2011		Change
	€m	€m	€m	€m	€m	%
Gross premiums written	**13,265**			**12,980**	**285**	**2.2**
1. Earned premiums						
Gross	12,774			12,057	717	5.9
Ceded	364			387	–23	–5.9
Net		12,410		11,670	740	6.3
2. Income from technical interest[1]		**1,987**		**1,453**	**534**	**36.8**
3. Expenses for claims and benefits						
Gross	10,496			12,549	–2,053	–16.4
Ceded share	220			401	–181	–45.1
Net		10,276		12,148	–1,872	–15.4
4. Operating expenses						
Gross	3,209			2,934	275	9.4
Ceded share	60			77	–17	–22.1
Net		3,149		2,857	292	10.2
5. Technical result (1–4)			**972**	**–1,882**	**2,854**	**–**
6. Investment result						
Investment income	3,686			3,594	92	2.6
Investment expenses	1,442			1,638	–196	–12.0
Total		**2,244**		**1,956**	**288**	**14.7**
Thereof: Income from associates accounted for using the equity method		–2		6	–8	–
7. Other operating income		**159**		**185**	**–26**	**–14.1**
8. Other operating expenses		**186**		**190**	**–4**	**–2.1**
9. Deduction of income from technical interest		**–1,987**		**–1,453**	**–534**	**–36.8**
10. Non-technical result (6–9)			**230**	**498**	**–268**	**–53.8**
11. Operating result			**1,202**	**–1,384**	**2,586**	**–**
12. Other non-operating result			**–195**	**–86**	**–109**	**–126.7**
13. Impairment losses of goodwill			**–**	**21**	**–21**	**–100.0**
14. Net finance costs			**–66**	**–69**	**3**	**4.3**
15. Taxes on income			**159**	**–612**	**771**	**–**
16. Consolidated result			**782**	**–948**	**1,730**	**–**
Thereof: Attributable to Munich Reinsurance Company equity holders			780	–947	1,727	–
Attributable to non-controlling interests			2	–1	3	–
			€	€	€	%
Earnings per share			**4.39**	**–5.28**	**9.67**	**–**

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

Consolidated income statement (quarterly breakdown)

Items

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

Statement of recognised income and expense for the period 1 January to 31 March 2012

€m	Q1 2012	Q1 2011
Consolidated result	**782**	**–948**
Currency translation		
Gains (losses) recognised in equity	–235	–557
Recognised in the consolidated income statement	–	–
Unrealised gains and losses on investments		
Gains (losses) recognised in equity	755	–368
Recognised in the consolidated income statement	–204	–369
Change resulting from valuation at equity		
Gains (losses) recognised in equity	34	21
Recognised in the consolidated income statement	–	–
Change resulting from cash flow hedges		
Gains (losses) recognised in equity	–	–1
Recognised in the consolidated income statement	–	–
Actuarial gains and losses on defined benefit plans	25	–9
Other changes	1	–2
Income and expense recognised directly in equity	**376**	**–1,285**
Total recognised income and expense	**1,158**	**–2,233**
Thereof:		
Attributable to Munich Reinsurance Company equity holders	1,151	–2,230
Attributable to non-controlling interests	7	–3

Group statement of changes in equity

€m	Issued capital	Capital reserve
Status at 31.12.2010	**588**	**6,800**
Allocation to retained earnings	–	–
Consolidated result	–	–
Income and expense recognised directly in equity	–	–
Currency translation	–	–
Unrealised gains and losses on investments	–	–
Change resulting from valuation at equity	–	–
Change resulting from cash flow hedges	–	–
Actuarial gains and losses on defined benefit plans	–	–
Other changes	–	–
Total recognised income and expense	–	–
Change in shareholdings in subsidiaries	–	–
Change in consolidated group	–	–
Dividend	–	–
Share buy-backs	–	–
Retirement of own shares	–	–
Status at 31.3.2011	**588**	**6,800**
Status at 31.12.2011	**588**	**6,800**
Allocation to retained earnings	–	–
Consolidated result	–	–
Income and expense recognised directly in equity	–	–
Currency translation	–	–
Unrealised gains and losses on investments	–	–
Change resulting from valuation at equity	–	–
Change resulting from cash flow hedges	–	–
Actuarial gains and losses on defined benefit plans	–	–
Other changes	–	–
Total recognised income and expense	–	–
Change in shareholdings in subsidiaries	–	–
Change in consolidated group	–	–
Dividend	–	–
Share buy-backs	–	–
Retirement of own shares	–	–
Status at 31.3.2012	**588**	**6,800**

Equity attributable to Munich Reinsurance Company equity holders						Non-controlling interests	Total equity
Retained earnings		Other reserves			Consolidated result		
Retained earnings before deduction of own shares	Own shares held	Unrealised gains and losses	Reserve from currency translation	Valuation result from cash flow hedges			
11,581	**–846**	**2,850**	**–610**	**–2**	**2,422**	**245**	**23,028**
2,422	–	–	–	–	–2,422	–	–
–	–	–	–	–	–947	–1	–948
–12	–	–712	–558	–1	–	–2	–1,285
–	–	–	–558	–	–	1	–557
–	–	–733	–	–	–	–4	–737
–	–	21	–	–	–	–	21
–	–	–	–	–1	–	–	–1
–9	–	–	–	–	–	–	–9
–3	–	–	–	–	–	1	–2
–12	–	–712	–558	–1	–947	–3	–2,233
1	–	–	–	–	–	–1	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–3	–3
–	–286	–	–	–	–	–	–286
–	–	–	–	–	–	–	–
13,992	**–1,132**	**2,138**	**–1,168**	**–3**	**–947**	**238**	**20,506**
11,758	**–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
–	–	–	–	–	–	–	–
12,483	–167	4,153	–458	27	780	220	24,426

Condensed consolidated cash flow statement for the period from 1 January to 31 March 2012

€m	Q1 2012	Q1 2011
Consolidated result	**782**	**–948**
Net change in technical provisions	941	3,207
Change in deferred acquisition costs	78	–23
Change in deposits retained and accounts receivable and payable	330	105
Change in other receivables and liabilities	–489	158
Gains and losses on the disposal of investments	–372	–400
Change in securities at fair value through profit or loss	2	–494
Change in other balance sheet items	121	78
Other income and expenses without impact on cash flow	–99	454
I. Cash flows from operating activities	1,294	2,137
Change from losing control of consolidated subsidiaries	23	–
Change from obtaining control of consolidated subsidiaries	–	–103
Change from the acquisition, sale and maturities of other investments	–2,301	1,157
Change from the acquisition and sale of investments for unit-linked life insurance	–160	–186
Other	19	26
II. Cash flows from investing activities	–2,419	894
Inflows from increase in capital and from non-controlling interests	–	–
Outflows to ownership interests and non-controlling interests	43	286
Dividend payments	1	–
Change from other financing activities	1,229	–2,543
III. Cash flows from financing activities	1,185	–2,829
Cash flows for the financial year (I + II + III)	**60**	**202**
Effect of exchange rate changes on cash	–17	–68
Cash at the beginning of the financial year	2,490	2,900
Cash at 31 March of the financial year	2,533	3,034

Selected notes to the consolidated financial statements

Recognition and measurement

This quarterly report as at 31 March 2012 has been prepared in accordance with International Financial Reporting Standards (IFRSs) as applicable in the European Union. The condensed interim consolidated financial statements are prepared in accordance with IAS 34, Interim Financial Reporting. We have complied with all new and amended IFRSs and IFRIC interpretations whose application is compulsory for Munich Re for the first time for periods beginning on 1 January 2012. For existing or unchanged IFRSs, the same principles of recognition, measurement, consolidation and disclosure have been applied as in our consolidated financial statements as at 31 December 2011, with the exception of the changes mentioned below. In accordance with the rules of IFRS 4, underwriting items are recognised and measured on the basis of US GAAP (United States Generally Accepted Accounting Principles) at first-time adoption of IFRS 4 on 1 January 2005.

The following standards in particular have been adopted or amended:

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

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

Our method of calculating the technical interest has been modified in the primary insurance segments with effect from the first quarter of 2012. This particularly affects the life primary insurance segment. In addition to the components used hitherto, the deposits retained on ceded business are now also taken into account as a basis for the technical interest. Thus the portion of the investment income that corresponds to the deposit interest expense is included as a new component in the calculation of the technical interest and reallocated to the technical result. This change provides for a more accurate presentation of the technical result, since the latter now also reflects the interest expense for deposits retained. Pursuant to IAS 8.22, the modification has been applied with retroactive effect and the previous year's figures have been adjusted accordingly. As a result of the change, the income from technical interest in the life primary insurance segment in the first quarter of 2012 is higher than it would have been under the previous method. It is impracticable to determine the exact amount of this for the current period, but there was an increase of €19m for the same period last year. In addition, the estimate for policyholders' bonuses has been refined, with the improved estimate being used as from the first quarter of 2012 for future periods.

The technical interest in life primary insurance in the same period last year rose by €11m due to the retroactive adjustment of a consolidated entry.

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	31.3.2012	31.12.2011	Q1 2012	Q1 2011
Australian dollar	1.28550	1.26620	1.24301	1.36117
Canadian dollar	1.33095	1.32185	1.31298	1.34905
Pound sterling	0.83345	0.83530	0.83444	0.85434
Rand	10.22020	10.48050	10.17240	9.56836
Swiss franc	1.20365	1.21390	1.20792	1.28747
US dollar	1.33170	1.29815	1.31077	1.36872
Yen	109.5920	99.8797	103.9420	112.5780

Segment reporting

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

We have consequently identified seven segments to be reported:

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

Munich Re's primary insurance segments comprise all the activities of the ERGO Insurance Group (ERGO). In addition, certain primary insurers whose business requires special solution-finding competence are coupled to reinsurance as the risk carrier. We therefore transact their business from within reinsurance and consequently allocate them to the reinsurance segment.

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

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

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

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

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

Segment assets

€m	Reinsurance Life 31.3. 2012	Reinsurance Life 31.12. 2011	Reinsurance Property-casualty 31.3. 2012	Reinsurance Property-casualty 31.12. 2011	Life 31.3. 2012	Life 31.12. 2011
A. Intangible assets	**157**	**169**	**1,950**	**2,007**	**1,090**	**1,104**
B. Investments						
I. Land and buildings, including buildings on third-party land	241	257	1,202	1,187	1,427	1,445
Thereof: Held for sale	–	–	–	–	–	13
II. Investments in affiliated companies and associates	16	89	565	453	133	132
Thereof: Associates accounted for using the equity method	1	75	495	386	101	101
III. Loans	14	14	55	56	35,341	33,910
IV. Other securities						
1. Held to maturity	–	–	–	–	11	13
2. Available for sale	14,286	14,489	52,207	51,355	34,775	34,352
Thereof: Held for sale	–	–	–	52	16	–
3. At fair value through profit or loss	484	549	776	909	925	989
	14,770	15,038	52,983	52,264	35,711	35,354
V. Deposits retained on assumed reinsurance	7,522	7,784	1,210	1,196	163	165
VI. Other investments	146	193	861	943	581	925
	22,709	**23,375**	**56,876**	**56,099**	**73,356**	**71,931**
C. Investments for the benefit of life insurance policyholders who bear the investment risk	**-**	**-**	**-**	**-**	**5,555**	**5,092**
Thereof: Held for sale	–	–	–	–	107	–
D. Ceded share of technical provisions	**967**	**929**	**2,443**	**2,517**	**1,825**	**1,816**
Thereof: Held for sale	–	–	–	13	–	–
E. Other segment assets	**6,248**	**5,877**	**10,882**	**11,153**	**8,191**	**8,354**
Total segment assets	**30,081**	**30,350**	**72,151**	**71,776**	**90,017**	**88,297**

			Primary insurance		Munich Health		Asset management		Total	
	Health		Property-casualty							
	31.3. 2012	31.12. 2011	31.3. 2012	31.12. 2011	31.3. 2012	31.12. 2011	31.3. 2012	31.12. 2011	31.3. 2012	31.12. 2011
	682	**683**	**918**	**911**	**192**	**199**	**13**	**19**	**5,002**	**5,092**
	792	796	109	109	30	31	68	64	3,869	3,889
	–	–	–	–	–	–	–	–	–	13
	99	98	223	226	89	82	76	74	1,201	1,154
	87	86	144	148	77	71	59	57	964	924
	16,691	16,934	2,395	2,323	23	23	–	–	54,519	53,260
	–	–	–	–	–	–	–	–	11	13
	14,045	13,073	5,914	6,089	3,375	4,080	727	239	125,329	123,677
	–	–	–	–	–	–	–	–	16	52
	86	70	15	9	10	10	–	–	2,296	2,536
	14,131	13,143	5,929	6,098	3,385	4,090	727	239	127,636	126,226
	1	1	4	4	305	280	–	–	9,205	9,430
	67	76	466	139	98	114	1,242	265	3,461	2,655
	31,781	**31,048**	**9,126**	**8,899**	**3,930**	**4,620**	**2,113**	**642**	**199,891**	**196,614**
	–	**–**	**–**	**–**	**1**	**1**	**–**	**–**	**5,556**	**5,093**
	–	–	–	–	–	–	–	–	107	–
	21	**11**	**377**	**310**	**94**	**51**	**–**	**–**	**5,727**	**5,634**
	–	–	–	–	–	–	–	–	–	13
	3,494	**3,459**	**4,339**	**3,938**	**2,239**	**2,229**	**356**	**137**	**35,749**	**35,147**
	35,978	**35,201**	**14,760**	**14,058**	**6,456**	**7,100**	**2,482**	**798**	**251,925**	**247,580**

Segment liabilities

	Reinsurance					
	Life		Property-casualty		Life	
€m	31.3. 2012	31.12. 2011	31.3. 2012	31.12. 2011	31.3. 2012	31.12. 2011
A. Subordinated liabilities	**1,498**	**1,350**	**4,277**	**3,041**	**70**	**72**
B. Gross technical provisions						
I. Unearned premiums	48	45	5,885	6,070	8	8
Thereof: Held for sale	–	–	–	24	–	–
II. Provision for future policy benefits	13,299	13,682	32	–	69,575	69,334
Thereof: Held for sale	–	–	–	–	15	–
III. Provision for outstanding claims	5,215	5,087	40,070	40,670	1,564	1,581
Thereof: Held for sale	–	–	–	16	–	–
IV. Other technical provisions	514	489	98	79	2,974	2,378
	19,076	**19,303**	**46,085**	**46,819**	**74,121**	**73,301**
C. Gross technical provisions for life insurance policies where the investment risk is borne by the policyholders	**–**	**–**	**–**	**–**	**5,841**	**5,372**
Thereof: Held for sale	–	–	–	–	107	–
D. Other accrued liabilities	**169**	**164**	**652**	**672**	**485**	**506**
E. Other segment liabilities	**6,106**	**5,778**	**10,806**	**11,132**	**7,301**	**7,234**
Total segment liabilities	**26,849**	**26,595**	**61,820**	**61,664**	**87,818**	**86,485**

	Primary insurance				Munich Health		Asset management		Total	
	Health		Property-casualty							
	31.3. 2012	31.12. 2011	31.3. 2012	31.12. 2011	31.3. 2012	31.12. 2011	31.3. 2012	31.12. 2011	31.3. 2012	31.12. 2011
	–	**–**	**–**	**–**	**277**	**220**	**–**	**–**	**6,122**	**4,683**
	145	97	2,236	1,728	497	443	–	–	8,819	8,391
	–	–	–	–	–	–	–	–	–	24
	24,740	24,216	415	409	855	836	–	–	108,916	108,477
	–	–	–	–	–	–	–	–	15	–
	833	944	5,062	5,034	1,099	1,076	–	–	53,843	54,392
	–	–	–	–	–	–	–	–	–	16
	7,300	7,009	154	152	62	55	–	–	11,102	10,162
	33,018	**32,266**	**7,867**	**7,323**	**2,513**	**2,410**	**–**	**–**	**182,680**	**181,422**
	–	**–**	**–**	**–**	**1**	**1**	**–**	**–**	**5,842**	**5,373**
	–	–	–	–	–	–	–	–	107	–
	197	**222**	**1,745**	**1,756**	**156**	**160**	**43**	**42**	**3,447**	**3,522**
	1,199	**1,160**	**2,201**	**2,126**	**1,655**	**1,751**	**140**	**90**	**29,408**	**29,271**
	34,414	33,648	11,813	11,205	4,602	4,542	183	132	227,499	224,271
Equity									24,426	23,309
Total equity and liabilities									251,925	247,580

Segment income statement 1.1.–31.3.2012

	Reinsurance					
		Life		Property-casualty		Life
€m	Q1 2012	Q1 2011	Q1 2012	Q1 2011	Q1 2012	Q1 2011
Gross premiums written	**2,599**	**2,364**	**4,245**	**4,363**	**1,449**	**1,522**
1. Earned premiums						
Gross	2,597	2,358	4,328	3,994	1,449	1,522
Ceded	100	115	152	180	28	28
Net	2,497	2,243	4,176	3,814	1,421	1,494
2. Income from technical interest	146	141	330	335	1,089	544
3. Expenses for claims and benefits						
Gross	1,898	1,652	2,702	5,554	2,196	1,766
Ceded share	94	44	32	296	16	11
Net	1,804	1,608	2,670	5,258	2,180	1,755
4. Operating expenses						
Gross	717	671	1,302	1,145	247	256
Ceded share	31	47	10	25	4	5
Net	686	624	1,292	1,120	243	251
Thereof:						
Amortisation and impairment losses of acquired insurance portfolios	2	2	–	–	7	7
5. Technical result (1–4)	**153**	**152**	**544**	**–2,229**	**87**	**32**
6. Investment result						
Investment income	514	562	1,285	1,496	1,332	905
Investment expenses	334	279	775	840	216	348
Total	180	283	510	656	1,116	557
Thereof:						
Interest and similar income	169	160	388	404	713	749
Interest charges and similar expenses	1	4	2	18	1	7
Write-downs of investments	239	161	342	354	68	185
Write-ups of investments	190	140	219	408	61	31
Income from associates accounted for using the equity method	–	2	–4	7	1	–1
7. Other operating income	19	21	45	69	20	20
Thereof:						
Interest and similar income	11	7	3	11	2	1
Write-ups of other operating assets	2	–	2	–	1	–
8. Other operating expenses	16	17	53	49	24	28
Thereof:						
Interest charges and similar expenses	6	2	7	2	1	3
Write-downs of other operating assets	–	–	1	5	2	4
9. Deduction of income from technical interest	–146	–141	–330	–335	–1,089	–544
10. Non-technical result (6–9)	**37**	**146**	**172**	**341**	**23**	**5**
11. Operating result	**190**	**298**	**716**	**–1,888**	**110**	**37**
12. Other non-operating result, net finance costs and impairment losses of goodwill	–55	–7	–107	–81	2	–7
13. Taxes on income	6	88	104	–756	26	2
14. Consolidated result	**129**	**203**	**505**	**–1,213**	**86**	**28**
Thereof:						
Attributable to Munich Reinsurance Company equity holders	129	203	505	–1,213	86	29
Attributable to non-controlling interests	–	–	–	–	–	–1

Primary insurance				Munich Health		Asset management		Total	
Health		Property-casualty							
Q1 2012	Q1 2011	Q1 2012	Q1 2011	Q1 2012	Q1 2011	Q1 2012	Q1 2011	Q1 2012	Q1 2011
1,457	**1,456**	**1,835**	**1,788**	**1,680**	**1,487**	**–**	**–**	**13,265**	**12,980**
1,408	1,405	1,373	1,333	1,619	1,445	–	–	12,774	12,057
12	4	67	56	5	4	–	–	364	387
1,396	1,401	1,306	1,277	1,614	1,441	–	–	12,410	11,670
359	384	51	39	12	10	–	–	1,987	1,453
1,519	1,540	875	851	1,306	1,186	–	–	10,496	12,549
6	3	72	44	–	3	–	–	220	401
1,513	1,537	803	807	1,306	1,183	–	–	10,276	12,148
166	155	462	444	315	263	–	–	3,209	2,934
3	1	5	-1	7	–	–	–	60	77
163	154	457	445	308	263	–	–	3,149	2,857
1	1	–	–	–	–	–	–	10	10
79	**94**	**97**	**64**	**12**	**5**	**–**	**–**	**972**	**-1,882**
370	435	132	142	51	55	2	-1	3,686	3,594
49	86	50	64	18	21	–	–	1,442	1,638
321	349	82	78	33	34	2	-1	2,244	1,956
315	302	78	80	27	30	1	1	1,691	1,726
1	2	–	2	–	–	–	–	5	33
13	27	14	13	6	8	–	–	682	748
17	17	12	10	4	5	–	–	503	611
2	1	-7	–	6	1	–	-4	-2	6
13	15	35	25	15	22	12	13	159	185
3	–	–	–	2	4	1	1	22	24
–	–	3	–	1	–	–	–	9	–
21	16	49	56	16	14	7	10	186	190
4	2	14	10	4	2	–	–	36	21
1	1	3	19	1	2	–	–	8	31
-359	-384	-51	-39	-12	-10	–	–	-1,987	-1,453
-46	**-36**	**17**	**8**	**20**	**32**	**7**	**2**	**230**	**498**
33	**58**	**114**	**72**	**32**	**37**	**7**	**2**	**1,202**	**-1,384**
-10	-12	-59	-61	-30	-4	-2	-4	-261	-176
7	18	12	14	-3	16	7	6	159	-612
16	**28**	**43**	**-3**	**5**	**17**	**-2**	**-8**	**782**	**-948**
16	28	40	-3	6	17	-2	-8	780	-947
–	–	3	–	-1	–	–	–	2	-1

Non-current assets by country[1]

€m	31.3.2012	31.12.2011
Germany	7,639	7,721
USA	2,040	2,109
Austria	434	441
UK	290	296
Sweden	246	245
Italy	198	201
Spain	160	161
France	159	159
Netherlands	154	160
Poland	145	129
Switzerland	99	99
Portugal	66	69
Others	285	287
Total	**11,915**	**12,077**

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

Investments in long-term assets per segment[1]

€m	31.3.2012	31.12.2011
Reinsurance life	3	89
Reinsurance property-casualty	25	330
Primary insurance life	12	69
Primary insurance health	4	26
Primary insurance property-casualty	35	182
Munich Health	4	115
Asset management	1	7
Total	**84**	**818**

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

Gross premiums written

	Reinsurance		Primary insurance		Munich Health		Total	
€m	Q1 2012	Q1 2011	Q1 2012	Q1 2011	Q1 2012	Q1 2011	Q1 2012	Q1 2011
Europe	2,320	2,493	4,696	4,719	513	405	7,529	7,617
North America	2,835	2,730	1	–	1,058	984	3,894	3,714
Asia and Australasia	1,108	968	41	45	39	34	1,188	1,047
Africa, Near and Middle East	183	199	1	1	70	61	254	261
Latin America	398	337	2	1	–	3	400	341
Total	**6,844**	**6,727**	**4,741**	**4,766**	**1,680**	**1,487**	**13,265**	**12,980**

Notes to the consolidated balance sheet

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

Development of goodwill

€m	Reinsurance		Primary insurance		Munich Health	Total Q1 2012	Total Q1 2011
Goodwill from acquisition of	Munich Re America	Other	ERGO Insurance Group	Other	Other		
Gross carrying amount at 31 Dec. previous year	1,062	435	1,754	554	154	3,959	3,876
Accumulated impairment losses at 31 Dec. previous year	–	27	–	381	40	448	423
Carrying amount at 31 Dec. previous year	1,062	408	1,754	173	114	3,511	3,453
Currency translation differences	-26	-9	–	–	-2	-37	-80
Additions	–	–	–	–	–	–	39
Disposals	–	–	–	–	–	–	–
Reclassifications	–	–	–	–	–	–	–
Impairment losses	–	–	–	–	–	–	21
Carrying amount at 31 March	1,036	399	1,754	173	112	3,474	3,391
Accumulated impairment losses at 31 March	–	27	–	381	40	448	444
Gross carrying amount at 31 March	1,036	426	1,754	554	152	3,922	3,835

Breakdown of other intangible assets

€m	31.3.2012	31.12.2011
Acquired insurance portfolios	519	533
Software	364	367
Self-developed	149	158
Other	215	209
Acquired brand names	80	85
Acquired distribution networks/client bases	410	433
Acquired licences/patents	108	110
Other	47	53
Self-developed	2	–
Other	45	53
Total	**1,528**	**1,581**

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

Number of shares in circulation and number of own shares held

	31.3.2012	31.12.2011
Number of shares in circulation	177,620,240	177,588,750
Number of own shares held	1,720,972	1,752,462
Total	**179,341,212**	**179,341,212**

Non-controlling interests

€m	31.3.2012	31.12.2011
Unrealised gains and losses	14	10
Consolidated result	2	10
Other equity	204	227
Total	**220**	**247**

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

Subordinated liabilities

€m	31.3.2012	31.12.2011
Munich Reinsurance Company, Munich, 6.25% until 2022, thereafter floating, €900m, Bonds 2012/2042 S&P rating: A	893	–
Munich Reinsurance Company, Munich, 6.625% until 2022, thereafter floating, £450m, Bonds 2012/2042 S&P rating: A	538	–
Munich Reinsurance Company, Munich, 6.00% until 2021, thereafter floating, €1,000m, Bonds 2011/2041 S&P rating: A	987	987
Munich Reinsurance Company, Munich, 5.767% until 2017, thereafter floating, €1,349m, Bonds 2007/perpetual S&P rating: A	1,572	1,562
Munich Reinsurance Company, Munich, 6.75% until 2013, thereafter floating, €1,678m, Bonds 2003/2023 S&P rating: A	1,669	1,669
Munich Reinsurance Company, Munich, 7.625% until 2018, thereafter floating, £300m, Bonds 2003/2028 S&P rating: A	358	357
Bank Austria Creditanstalt Versicherung AG, Vienna, 4.95%, €50m, Registered bonds 2004/2014 Rating: –	49	51
Bank Austria Creditanstalt Versicherung AG, Vienna, secondary market yield on federal government bonds (Austria) +70 BP, €12m[1], Registered bonds 2001/perpetual Rating: –	10	10
Bank Austria Creditanstalt Versicherung AG, Vienna, secondary market yield on federal government bonds (Austria) +70 BP, €13m[2], Registered bonds 1998/perpetual Rating: –	11	11
HSB Group Inc., Delaware LIBOR +91 BP, US$ 76m, Bonds 1997/2027 Rating: –	35	36
Total	**6,122**	**4,683**

[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.

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

Bonds and notes issued

€m	31.3.2012	31.12.2011
Munich Re America Corporation, Wilmington, 7.45%, US$ 342m, Senior notes 1996/2026 S&P rating: A–	256	263
Total	**256**	**263**

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 2012	Q1 2011	Q1 2012	Q1 2011
Gross premiums written	2,599	2,364	4,245	4,363
Change in gross unearned premiums	2	6	–83	369
Gross earned premiums	**2,597**	**2,358**	**4,328**	**3,994**
Ceded premiums written	100	115	209	143
Change in unearned premiums – Ceded share	–	–	57	–37
Earned premiums ceded	**100**	**115**	**152**	**180**
Net earned premiums	**2,497**	**2,243**	**4,176**	**3,814**

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€m	Life Q1 2012	Life Q1 2011	Health Q1 2012	Health Q1 2011	Primary insurance Property-casualty Q1 2012	Primary insurance Property-casualty Q1 2011
Gross premiums written	1,449	1,522	1,457	1,456	1,835	1,788
Change in gross unearned premiums	–	–	49	51	462	455
Gross earned premiums	**1,449**	**1,522**	**1,408**	**1,405**	**1,373**	**1,333**
Ceded premiums written	28	28	21	6	87	74
Change in unearned premiums – Ceded share	–	–	9	2	20	18
Earned premiums ceded	**28**	**28**	**12**	**4**	**67**	**56**
Net earned premiums	**1,421**	**1,494**	**1,396**	**1,401**	**1,306**	**1,277**

€m	Munich Health Q1 2012	Munich Health Q1 2011	Total Q1 2012	Total Q1 2011
Gross premiums written	1,680	1,487	13,265	12,980
Change in gross unearned premiums	61	42	491	923
Gross earned premiums	**1,619**	**1,445**	**12,774**	**12,057**
Ceded premiums written	49	4	494	370
Change in unearned premiums – Ceded share	44	–	130	-17
Earned premiums ceded	**5**	**4**	**364**	**387**
Net earned premiums	**1,614**	**1,441**	**12,410**	**11,670**

Income from technical interest

€m	Reinsurance Life Q1 2012	Reinsurance Life Q1 2011	Reinsurance Property-casualty Q1 2012	Reinsurance Property-casualty Q1 2011
Income from technical interest	146	141	330	335

€m	Life Q1 2012	Life Q1 2011	Health Q1 2012	Health Q1 2011	Primary insurance Property-casualty Q1 2012	Primary insurance Property-casualty Q1 2011
Income from technical interest	1,089	544	359	384	51	39

€m	Munich Health Q1 2012	Munich Health Q1 2011	Total Q1 2012	Total Q1 2011
Income from technical interest	12	10	1,987	1,453

Expenses for claims and benefits

	Reinsurance			
	Life		Property-casualty	
€m	Q1 2012	Q1 2011	Q1 2012	Q1 2011
Gross				
Claims and benefits paid	1,820	1,523	2,740	2,608
Changes in technical provisions				
Provision for future policy benefits	–105	63	–	–5
Provision for outstanding claims	183	73	–49	2,932
Provision for premium refunds	–	–	1	4
Other technical result	–	–7	10	15
Gross expenses for claims and benefits	**1,898**	**1,652**	**2,702**	**5,554**
Ceded share				
Claims and benefits paid	72	28	113	140
Changes in technical provisions				
Provision for future policy benefits	–18	–18	–	–
Provision for outstanding claims	45	42	–81	157
Provision for premium refunds	–	–	–	–
Other technical result	–5	–8	–	–1
Expenses for claims and benefits – Ceded share	**94**	**44**	**32**	**296**
Net				
Claims and benefits paid	1,748	1,495	2,627	2,468
Changes in technical provisions				
Provision for future policy benefits	–87	81	–	–5
Provision for outstanding claims	138	31	32	2,775
Provision for premium refunds	–	–	1	4
Other technical result	5	1	10	16
Net expenses for claims and benefits	**1,804**	**1,608**	**2,670**	**5,258**

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→ €m					Primary insurance	
		Life		Health		Property-casualty
€m	Q1 2012	Q1 2011	Q1 2012	Q1 2011	Q1 2012	Q1 2011
Gross						
Claims and benefits paid	1,491	1,612	1,096	1,024	870	856
Changes in technical provisions						
Provision for future policy benefits	533	109	257	264	5	6
Provision for outstanding claims	–18	–22	–111	–92	–7	–19
Provision for premium refunds	147	27	278	346	5	2
Other technical result	43	40	–1	–2	2	6
Gross expenses for claims and benefits	**2,196**	**1,766**	**1,519**	**1,540**	**875**	**851**
Ceded share						
Claims and benefits paid	24	27	5	3	41	32
Changes in technical provisions						
Provision for future policy benefits	11	12	–	–	–	–
Provision for outstanding claims	–1	–9	1	–	33	14
Provision for premium refunds	–	–	–	–	–1	–1
Other technical result	–18	–19	–	–	–1	–1
Expenses for claims and benefits – Ceded share	**16**	**11**	**6**	**3**	**72**	**44**
Net						
Claims and benefits paid	1,467	1,585	1,091	1,021	829	824
Changes in technical provisions						
Provision for future policy benefits	522	97	257	264	5	6
Provision for outstanding claims	–17	–13	–112	–92	–40	-33
Provision for premium refunds	147	27	278	346	6	3
Other technical result	61	59	–1	–2	3	7
Net expenses for claims and benefits	**2,180**	**1,755**	**1,513**	**1,537**	**803**	**807**

→	Munich Health		Total	
€m	Q1 2012	Q1 2011	Q1 2012	Q1 2011
Gross				
Claims and benefits paid	1,248	1,282	9,265	8,905
Changes in technical provisions				
Provision for future policy benefits	19	21	709	458
Provision for outstanding claims	38	-116	36	2,756
Provision for premium refunds	–	–	431	379
Other technical result	1	-1	55	51
Gross expenses for claims and benefits	**1,306**	**1,186**	**10,496**	**12,549**
Ceded share				
Claims and benefits paid	2	3	257	233
Changes in technical provisions				
Provision for future policy benefits	–	–	-7	-6
Provision for outstanding claims	-2	–	-5	204
Provision for premium refunds	–	–	-1	-1
Other technical result	–	–	-24	-29
Expenses for claims and benefits – Ceded share	**–**	**3**	**220**	**401**
Net				
Claims and benefits paid	1,246	1,279	9,008	8,672
Changes in technical provisions				
Provision for future policy benefits	19	21	716	464
Provision for outstanding claims	40	-116	41	2,552
Provision for premium refunds	–	–	432	380
Other technical result	1	-1	79	80
Net expenses for claims and benefits	**1,306**	**1,183**	**10,276**	**12,148**

Operating expenses

			Reinsurance	
	Life		Property-casualty	
€m	Q1 2012	Q1 2011	Q1 2012	Q1 2011
Acquisition costs, profit commission and reinsurance commission paid	636	571	914	911
Administrative expenses	74	71	298	249
Change in deferred acquisition costs and contingent commissions, amortisation and impairment losses of acquired insurance portfolios	7	29	90	-15
Gross operating expenses	**717**	**671**	**1,302**	**1,145**
Ceded share of acquisition costs, profit commission and reinsurance commission paid	31	45	17	6
Ceded share of changes in deferred acquisition costs and contingent commissions	–	2	-7	19
Operating expenses – Ceded share	**31**	**47**	**10**	**25**
Net operating expenses	**686**	**624**	**1,292**	**1,120**

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	Primary insurance					
	Life		Health		Property-casualty	
€m	Q1 2012	Q1 2011	Q1 2012	Q1 2011	Q1 2012	Q1 2011
Acquisition costs, profit commission and reinsurance commission paid	216	210	145	147	309	304
Administrative expenses	60	62	38	42	189	183
Changes in deferred acquisition costs and contingent commissions, amortisation and impairment losses of acquired insurance portfolios	–29	–16	–17	–34	–36	–43
Gross operating expenses	**247**	**256**	**166**	**155**	**462**	**444**
Ceded share of acquisition costs, profit commission and reinsurance commission paid	11	4	5	1	5	2
Ceded share of changes in deferred acquisition costs and contingent commissions	–7	1	–2	–	–	–3
Operating expenses – Ceded share	**4**	**5**	**3**	**1**	**5**	**–1**
Net operating expenses	**243**	**251**	**163**	**154**	**457**	**445**

	Munich Health		Total	
€m	Q1 2012	Q1 2011	Q1 2012	Q1 2011
Acquisition costs, profit commission and reinsurance commission paid	272	229	2,492	2,372
Administrative expenses	41	39	700	646
Changes in deferred acquisition costs and contingent commissions, amortisation and impairment losses of acquired insurance portfolios	2	–5	17	–84
Gross operating expenses	**315**	**263**	**3,209**	**2,934**
Ceded share of acquisition costs, profit commission and reinsurance commission paid	56	–	125	58
Ceded share of changes in deferred acquisition costs and contingent commissions	–49	–	–65	19
Operating expenses – Ceded share	**7**	**–**	**60**	**77**
Net operating expenses	**308**	**263**	**3,149**	**2,857**

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

			Reinsurance	
		Life		Property-casualty
€m	Q1 2012	Q1 2011	Q1 2012	Q1 2011
Land and buildings, including buildings on third-party land	**4**	**7**	**23**	**33**
Investments in affiliated companies	**–**	**–**	**3**	**–**
Investments in associates	**–**	**2**	**-4**	**7**
Loans	**–**	**1**	**1**	**3**
Other securities held to maturity	**–**	**–**	**–**	**–**
Other securities available for sale				
Fixed-interest	151	186	549	446
Non-fixed-interest	24	48	119	216
Other securities at fair value through profit or loss				
Held for trading				
Fixed-interest	–	–	2	1
Non-fixed-interest	–	–	2	–
Derivatives	-39	-5	-153	-9
Designated as at fair value through profit or loss				
Fixed-interest	–	–	–	–
Non-fixed-interest	–	–	–	–
Deposits retained on assumed reinsurance and other investments	**52**	**52**	**7**	**-3**
Investments for the benefit of life insurance policyholders who bear the investment risk	**–**	**–**	**–**	**–**
Expenses for the management of investments, other expenses	**12**	**8**	**39**	**38**
Total	**180**	**283**	**510**	**656**

→

					Primary insurance	
		Life		Health		Property-casualty
€m	Q1 2012	Q1 2011	Q1 2012	Q1 2011	Q1 2012	Q1 2011
Land and buildings, including buildings on third-party land	**56**	**13**	**13**	**10**	**1**	**7**
Investments in affiliated companies	**–**	**-1**	**-3**	**-1**	**2**	**–**
Investments in associates	**1**	**-1**	**2**	**1**	**-7**	**–**
Loans	**394**	**342**	**173**	**164**	**27**	**25**
Other securities held to maturity	**–**	**–**	**–**	**–**	**–**	**–**
Other securities available for sale						
Fixed-interest	419	423	130	143	58	45
Non-fixed-interest	16	-4	3	66	4	6
Other securities at fair value through profit or loss						
Held for trading						
Fixed-interest	–	–	–	–	–	–
Non-fixed-interest	–	–	–	–	–	–
Derivatives	-33	-101	14	-21	2	1
Designated as at fair value through profit or loss						
Fixed-interest	9	-2	–	–	–	–
Non-fixed-interest	–	-2	–	–	–	–
Deposits retained on assumed reinsurance and other investments	**1**	**-3**	**–**	**-2**	**1**	**–**
Investments for the benefit of life insurance policyholders who bear the investment risk	**292**	**-73**	**–**	**–**	**–**	**–**
Expenses for the management of investments, other expenses	**39**	**34**	**11**	**11**	**6**	**6**
Total	**1,116**	**557**	**321**	**349**	**82**	**78**

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→	Munich Health		Asset management		Total	
€m	Q1 2012	Q1 2011	Q1 2012	Q1 2011	Q1 2012	Q1 2011
Land and buildings, including buildings on third-party land	**1**	**1**	**1**	**1**	**99**	**72**
Investments in affiliated companies	**–**	**–**	**–**	**–**	**2**	**-2**
Investments in associates	**6**	**2**	**–**	**-4**	**-2**	**7**
Loans	**–**	**–**	**–**	**–**	**595**	**535**
Other securities held to maturity	**–**	**–**	**–**	**–**	**–**	**–**
Other securities available for sale						
Fixed-interest	27	32	1	1	1,335	1,276
Non-fixed-interest	3	5	–	–	169	337
Other securities at fair value through profit or loss						
Held for trading						
Fixed-interest	–	–	–	–	2	1
Non-fixed-interest	–	–	–	–	2	–
Derivatives	-3	-4	–	–	-212	-139
Designated as at fair value through profit or loss						
Fixed-interest	–	–	–	–	9	-2
Non-fixed-interest	–	–	–	–	–	-2
Deposits retained on assumed reinsurance and other investments	**–**	**–**	**–**	**1**	**61**	**45**
Investments for the benefit of life insurance policyholders who bear the investment risk	**–**	**–**	**–**	**–**	**292**	**-73**
Expenses for the management of investments, other expenses	**1**	**2**	**–**	**–**	**108**	**99**
Total	33	34	2	-1	2,244	1,956

Investment income by segment (before deduction of technical interest)

	Reinsurance			
	Life		Property-casualty	
€m	Q1 2012	Q1 2011	Q1 2012	Q1 2011
Regular income	205	198	469	466
Thereof: Income from interest	169	160	388	404
Income from write-ups	190	140	219	408
Gains on the disposal of investments	119	224	597	622
Other income	–	–	–	–
Total	**514**	**562**	**1,285**	**1,496**

→	Primary insurance					
	Life		Health		Property-casualty	
€m	Q1 2012	Q1 2011	Q1 2012	Q1 2011	Q1 2012	Q1 2011
Regular income	759	797	338	319	81	91
Thereof: Income from interest	713	749	315	302	78	80
Income from write-ups	61	31	17	17	12	10
Gains on the disposal of investments	204	51	15	99	39	41
Other income	308	26	–	–	–	–
Total	**1,332**	**905**	**370**	**435**	**132**	**142**

→	Munich Health		Asset management		Total	
€m	Q1 2012	Q1 2011	Q1 2012	Q1 2011	Q1 2012	Q1 2011
Regular income	35	33	2	–1	1,889	1,903
Thereof: Income from interest	27	30	1	1	1,691	1,726
Income from write-ups	4	5	–	–	503	611
Gains on the disposal of investments	12	17	–	–	986	1,054
Other income	–	–	–	–	308	26
Total	**51**	**55**	**2**	**–1**	**3,686**	**3,594**

Investment expenses by segment (before deduction of technical interest)

	Reinsurance			
	Life		Property-casualty	
€m	Q1 2012	Q1 2011	Q1 2012	Q1 2011
Write-downs of investments	239	161	342	354
Losses on the disposal of investments	77	106	383	430
Management expenses, interest charges and other expenses	18	12	50	56
Thereof: Interest charges	1	4	2	18
Total	**334**	**279**	**775**	**840**

→	Primary insurance					
	Life		Health		Property-casualty	
€m	Q1 2012	Q1 2011	Q1 2012	Q1 2011	Q1 2012	Q1 2011
Write-downs of investments	68	185	13	27	14	13
Losses on the disposal of investments	92	20	22	44	29	43
Management expenses, interest charges and other expenses	56	143	14	15	7	8
Thereof: Interest charges	1	7	1	2	–	2
Total	**216**	**348**	**49**	**86**	**50**	**64**

→	Munich Health		Asset management		Total	
€m	Q1 2012	Q1 2011	Q1 2012	Q1 2011	Q1 2012	Q1 2011
Write-downs of investments	6	8	–	–	682	748
Losses on the disposal of investments	11	11	–	–	614	654
Management expenses, interest charges and other expenses	1	2	–	–	146	236
Thereof: Interest charges	–	–	–	–	5	33
Total	**18**	**21**	**–**	**–**	**1,442**	**1,638**

Other operating result

	Reinsurance Life		Reinsurance Property-casualty	
€m	Q1 2012	Q1 2011	Q1 2012	Q1 2011
Other operating income	19	21	45	69
Other operating expenses	16	17	53	49

→	Primary insurance Life		Primary insurance Health		Primary insurance Property-casualty	
€m	Q1 2012	Q1 2011	Q1 2012	Q1 2011	Q1 2012	Q1 2011
Other operating income	20	20	13	15	35	25
Other operating expenses	24	28	21	16	49	56

→	Munich Health		Asset management		Total	
€m	Q1 2012	Q1 2011	Q1 2012	Q1 2011	Q1 2012	Q1 2011
Other operating income	15	22	12	13	159	185
Other operating expenses	16	14	7	10	186	190

Other operating income mainly comprises income of €107m (107m) from services rendered, interest and similar income of €22m (24m), income of €18m (43m) 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 €81m (75m) for services rendered, other operating expenses chiefly include interest charges and similar expenses of €36m (21m), other write-downs of €6m (22m), and other tax of €9m (10m). They also contain expenses of €3m (11m) 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 2012	Q1 2011	Q1 2012	Q1 2011
Other non-operating income	167	177	221	297
Other non-operating expenses	207	168	297	336
Impairment losses of goodwill	–	–	–	1
Net finance costs	–15	–16	–31	–41

→	Primary insurance					
	Life		Health		Property-casualty	
€m	Q1 2012	Q1 2011	Q1 2012	Q1 2011	Q1 2012	Q1 2011
Other non-operating income	25	39	73	113	41	78
Other non-operating expenses	37	54	85	128	68	100
Impairment losses of goodwill	–	–	–	–	–	20
Net finance costs	14	8	2	3	-32	-19

→	Munich Health		Asset management		Total	
€m	Q1 2012	Q1 2011	Q1 2012	Q1 2011	Q1 2012	Q1 2011
Other non-operating income	93	97	1	1	621	802
Other non-operating expenses	120	97	2	5	816	888
Impairment losses of goodwill	–	–	–	–	–	21
Net finance costs	-3	-4	-1	–	-66	-69

Other non-operating income is income unrelated to the conclusion, administration or settlement of insurance contracts or the administration of investments. Besides foreign currency exchange gains of €581m (759m), it contains other non-technical income of €40m (43m).

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 €684m (692m), they include write-downs of €23m (29m) on other intangible assets and other non-technical expenses of €109m (167m), such as expenses unrelated to the accounting period, project costs and other amounts that cannot be allocated elsewhere, and restructuring expenses.

Non-current assets held for sale

We decided in the second quarter of 2011 to sell our fully consolidated subsidiaries American Modern Life Insurance Company, Amelia, Ohio, and Southern Pioneer Life Insurance Company, Jonesboro, Arkansas. A contract regarding the sale of these companies, with economic effect from January 2012, was signed in the third quarter of 2011; the sales price totalled around €26m.

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

In the first quarter of 2012, the ERGO Insurance Group decided to sell its fully consolidated subsidiary San Marino Life Impresa sammarinese di assicurazione sulla vita S.p.A., San Marino.

How the non-current assets held for sale and disposal groups are allocated between the segments is disclosed in the segment reporting.

Related parties

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

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

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

Number of staff

The number of staff employed by the Group as at 31 March 2012 totalled 24,201 (24,299) in Germany and 22,528 (22,907) in other countries.

Number of staff

	31.3.2012	31.12.2011
Reinsurance	11,175	11,163
Primary insurance	30,845	31,311
Munich Health	3,902	3,927
Asset management	807	805
Total	**46,729**	**47,206**

Contingent liabilities, other financial commitments

In comparison with the situation at 31 December 2011, financial commitments of significance for the assessment of the Group's financial position show a change essentially due to a reduction of €503m in loan commitments. No contingent liabilities have been entered into for the benefit of Board members.

Earnings per share

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

Earnings per share

		Q1 2012	Q1 2011
Consolidated result attributable to Munich Reinsurance Company equity holders	€m	780	–947
Weighted average number of outstanding shares		177,600,458	179,169,781
Earnings per share	€	4.39	–5.28

Events after the balance sheet date

Following approval by the competent supervisory authority in April 2012, the ERGO Insurance Group began developing a joint venture agreed on in January 2011 with the Shandong State-owned Assets Investment Holding Company (SSAIH). The aim is to offer mainly life insurance products for private clients in the Chinese province of Shandong. ERGO and SSAIH will each hold half the shares in the joint venture. Under the agreement, ERGO will pay RMB 300m (€36m) for its portion of the share capital. The company is to be called ERGO China Life Insurance Co. Ltd. Subject to further approval by the authorities, business operations are scheduled to commence in the first half of 2013.

In April 2012, the US Midwest was again hit by devastating tornadoes. Munich Re is currently analysing the expected claims burden, but it is still too early for a final assessment. On the basis of present assumptions, claims costs may be in the low three-digit million euro range at most.

At the end of April 2012, we repurchased a further €18m of our subordinated bond 2003/2023 at a price of 106% in an open-market buy-back.

On 3 May 2012, ERGO International AG signed a contract to sell its fully consolidated subsidiary ERGO Daum Direct General Insurance Co. Ltd., Seoul. The transaction, from which we expect a burden on the result in the two-digit million euro range, is to take effect in the course of the financial year 2012, subject to the authorities' approval.

Drawn up and released for publication, Munich, 7 May 2012.

The Board of Management

Review report

To Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München

We have reviewed the condensed interim consolidated financial statements – comprising the consolidated balance sheet, the consolidated income statement, the statement of recognised income and expense, the Group statement of changes in equity, the condensed consolidated cash flow statement and the selected notes, together with the interim Group management report of Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München, for the period from 1 January 2012 to 31 March 2012, 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, 8 May 2012
KPMG Bayerische Treuhandgesellschaft
Aktiengesellschaft Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Klaus Becker
Certified public accountant

Martin Berger
Certified public accountant

Important dates

2012	
7 August 2012	Interim report as at 30 June 2012
7 August 2012	Half-year press conference
7 November 2012	Interim report as at 30 September 2012

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

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

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