Munich RE

MUNICH RE
HALF-YEAR FINANCIAL REPORT 2010

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Key figures (IFRS)[1]

Munich Re (Group)		Q1–2 2010	Q1–2 2009	Change	Q2 2010	Q2 2009	Change
				%			%
Gross premiums written	€m	22,613	20,693	9.3	10,956	10,326	6.1
Technical result	€m	677	1,018	-33.5	539	478	12.8
Investment result	€m	5,078	3,555	42.8	2,618	2,188	19.7
Operating result	€m	2,218	2,109	5.2	1,448	1,373	5.5
Taxes on income	€m	445	568	-21.7	372	312	19.2
Consolidated result	€m	1,194	1,134	5.3	709	697	1.7
Thereof attributable to minority interests	€m	3	16	-81.3	–	12	-100.0
Earnings per share	€	6.33	5.73	10.5	3.80	3.51	8.3
Combined ratio							
Reinsurance property-casualty	%	106.4	97.9		103.8	98.4	
Primary insurance property-casualty	%	96.6	94.7		94.5	93.3	
Munich Health	%	100.4	98.7		99.5	97.8	

		30.6.2010	31.12.2009	Change
				%
Investments	€m	192,462	182,175	5.6
Equity	€m	23,749	22,278	6.6
Net technical provisions	€m	172,323	163,934	5.1
Employees		47,087	47,249	-0.3
Share price	€	103.35	108.67	-4.9
Munich Reinsurance Company's market capitalisation[2]	€bn	19.5	21.5	-9.2

1 Previous year's figures adjusted owing to first-time recognition of Munich Health as a separate segment (see "Recognition and measurement") and to IFRS 3.62 and IAS 8.
2 This includes own shares earmarked for retirement.

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To our shareholders

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

Dear Shareholders,

In a difficult economic environment and despite an exceptionally large burden from natural catastrophes and other major losses, we can report a result of €1,194m for the first half-year. This is the outcome of contrasting developments: while the technical result was again hit by large losses in the quarter under review, we were able to post a gratifying profit from investments.

In 2009, as part of our strategic asset allocation, we made shifts in our portfolios of fixed-interest securities, reducing undesirable exposures and improving the risk diversification. This enabled us to achieve gains on the disposal of government and corporate bonds in the second quarter of this year. In our reinvestments, we have lengthened the maturities and secured a higher interest-rate level. Given the size of our overall portfolio, we were well able to absorb losses in the value of bonds from individual EU states. Indeed, they were more than compensated for by the growth in value of our substantial portfolio of German and US government bonds, which were in great demand as "safe havens".

The most important development for the Group in the current year is the realignment of the ERGO brand. "To insure is to understand" – this is the claim with which ERGO aims to set itself apart from the competition in the German insurance market. What is emerging is a distinctive ERGO brand, a new type of insurer in Germany. The switch from the Hamburg-Mannheimer and Victoria brands to ERGO and the revamped logo are just the first, outwardly visible steps. ERGO has formulated a new maxim for its approach to and handling of clients: open and direct. All employees will gear their actions to this maxim in future, which forms the basis of a completely new value proposition for its stakeholders, especially clients. ERGO is already among the leaders in claims management. In future, it also aims to convince customers with more extensive advice and easier-to-understand products. ERGO wants to put people at the centre rather than contracts or clauses, thus meeting customers' wishes for a partnership-type relationship with their insurer. That is how ERGO will establish itself as a strong brand. The realignment was preceded by years of extensive changes in ERGO's internal business processes, especially the creation of a joint back-office for the segments life, property-casualty and health insurance, about which I have reported to you before.

The claims balance in reinsurance is heavily marked by the losses caused by the sinking of the Deepwater Horizon in the Gulf of Mexico on 22 April 2010. This was the biggest accident involving an oil rig in the USA for 40 years, claiming eleven lives and having a vast ecological impact. The uncertainty still surrounding the exact cause of the accident and particularly the attempts over several months to seal the well are further illustrations of the constantly increasing complexity of risks. The greater the depth in which oil rigs operate and the further they are from the coast, the higher the technical demands are and the greater the loss potential. On top of this, there is the lack of transparency regarding the liability situation, typical of such losses. In the case in question, there are numerous parties involved that have different legal relationships with one another and potentially carry partial responsibility for the events. A whole range of rules of law and legal systems under which claims may be filed renders any final loss settlement even more difficult. We are nevertheless convinced that we have made adequate provision for this complex.

Experts, courts and politicians will investigate and follow up the case over the next few years. It remains our task to keep or make such risks insurable. Companies are venturing more and more – that is what makes progress possible. We can help assess the resultant risks and make these manageable wherever possible. We will, in any case, review our technical requirements and prices for such risks. By providing risks with a "price tag", we can also influence companies in practising effective loss prevention.

I have reported here on three events or developments in detail. They exemplify the extremely wide range of our business activities as an insurance group. Thus, for instance, macroeconomic issues require our attention, but so do technological trends and changes in the social environment. That is what makes the job of insuring so demanding, but also so interesting. The better we understand the present and identify future trends, the more we can achieve sustainable development. That is our goal: to create long-term value. We see this as our obligation – to society, to our clients and staff, and to you, our shareholders.

Yours sincerely,

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

Interim management report

Key parameters

- Global economy continues to recover; medium- to long-term perspective still uncertain
- Stock markets in the USA and Europe very volatile with small overall losses
- Inflation and interest rates remain low; initial signs of a slight increase

The global economy continued its recovery in the second quarter of 2010, showing the first signs of a slight acceleration in growth. Besides the monetary and fiscal stimuli present since last year, the reasons were fuller order books in the manufacturing sector and a further increase in international trade. But in the light of the most recent capital market turbulence, there are question marks about whether the economic upswing will last. The main central banks therefore maintained their low-interest-rate policies, even though initial increases in key interest rates were evident in a few cases. The central banks of Canada, Norway and Australia, for example, marginally raised their reference interest rates in the second quarter of 2010. Globally, interest rates and inflation remained low, but there were growing signs of a slight upward movement.

The US economy recorded positive real growth for the fourth consecutive quarter. Economic growth in the second quarter of 2010 amounted to 2.4% compared with the previous quarter. At 9.5%, the seasonally adjusted unemployment rate was slightly below the record level of the fourth quarter of 2009. The average inflation rate stood at –0.1% in the second quarter, meaning that prices fell a little, not least because of the appreciation of the US dollar against the euro.

In the eurozone, the economic recovery continued as well, picking up speed somewhat. Real economic growth in the second quarter of 2010 amounted to just over 1%, compared with 0.9% in the previous quarter. With just a few exceptions, there was little difference between the member states here. The unemployment rate remained stubbornly high and, at 0.2%, the inflation rate also showed practically no change. The positive economic development was partly due to the expansion in exports, particularly in Germany. Nevertheless, it is still uncertain whether the recovery will be maintained given that, as in the previous quarter, private consumer expenditure and investments did not contribute to growth. There are also fears about how the Greek debt crisis unfolds and whether other countries will experience similar turmoil.

The economic situation in Japan stabilised further, in spite of moderate deflation. Buoyed by increasing exports and a slight recovery in domestic demand, industrial production rose further. The unemployment rate nevertheless nudged upwards, from 5.0% in March to 5.3% in June. Consumer prices remained stable in the second quarter. Particularly these two figures indicate that economic development in Japan is still fragile compared with the economies of many other developed countries.

The Chinese economy showed very robust year-on-year growth of 11.1% in the second quarter. However, there are still signs that the economy may overheat.

In the second quarter, the US and Japanese central banks kept at 0–0.25% and 0.1% respectively the target rates they had introduced at the end of 2008 . The European Central Bank maintained its reference interest rate at 1.0%, to which it had been lowered in May 2009.

The oil price ranged between US$ 70 and US$ 88 per barrel in the second quarter, standing at US$ 74 at the end of June – an increase of 8.1% year on year. After falling to US$ 1.20 at the beginning of June, the euro exchange rate recovered to US$ 1.23 at the end of the quarter.

In the USA, Europe and Japan, the stock markets failed to maintain their good performance from the beginning of the year. The Dow Jones closed at 9,774 points on 30 June, 10.6% lower than at the beginning of April. The EURO STOXX 50 lost 11.4% over the quarter, closing on 2,568 points at the end of June, while the Nikkei finished the quarter on 9,383 points, 16.6% lower than three months before.

On 30 June, yields on US and German ten-year government bonds stood at 2.9% and 2.7% respectively, below their level at the beginning of the quarter.

All in all, macroeconomic indicators point to a further recovery in the global economy. Nonetheless, the outlook for the rest of 2010 is uncertain, and it remains questionable whether the capital markets can regain confidence on a lasting basis. Furthermore, the situation with regard to growing public debt is disturbing. In addition, there is still concern about undesirable effects from monetary and fiscal policy, while high unemployment harbours the risk of a short-lived recovery. Thus, there is continuing uncertainty about whether private consumer spending and investment can adequately replace government support measures in the near future.

Business experience from 1 January to 30 June 2010

Overview

Munich Re's Group-wide business was marked by high claims burdens from natural catastrophes in the first half-year 2010. Gross premium income amounted to €22.6bn (20.7bn), an increase of 9.3%. We recorded an operating result of €2,218m (2,109m) for the first six months. The consolidated result for January to June rose by 5.3% year on year to €1,194m (1,134m). Including expenses recognised directly in equity, there was an improvement of €2.1bn (see table on page 31). In spite of the persistently low interest-rate level, the investment result increased by 42.8% compared with the first half-year 2009 and amounted to €5.1bn, benefiting from lower write-downs and continuing high gains on disposals. This represents an annualised return of 5.3% on the average investment portfolio at market values. The annualised return on risk-adjusted capital (RORAC) totalled 13.2%, whilst the return on equity (RoE) amounted to 10.4%.

The bond markets continued to be affected by the debt problems of the southern European countries in particular. On the one hand, risk spreads for bonds issued by countries like Greece, Portugal, Italy, Spain and Ireland rose, leading to market-value losses in our portfolio. On the other hand, the high demand for government bonds with a secure rating, such as those of Germany and the USA, meant that spreads for these issuers declined, enabling us to record significant gains on the market value of such investments. We have an above-average proportion of secure government bonds in our portfolio of fixed-interest securities. That is one of the main reasons why our Group equity at 30 June 2010 showed an increase of €0.8bn in unrealised net gains on fixed-interest securities compared with year-end 2009.

The euro fell in value against the other important currencies in the first half of the year. This development has an effect on our consolidated financial statements through the translation of foreign currencies into our presentation currency. The profit-neutral translation of our independent subsidiaries' financial statements into the Group presentation currency – the euro – impacts our reserve for currency translation adjustments and thus the amount of Group equity. Generally speaking, rising exchange rates for foreign currencies increase Group equity, whilst falling exchange rates reduce it. Particularly as a result of the depreciation of the euro against the US dollar (the accounting currency of our major subsidiaries), our reserve for currency translation adjustments as at 30 June 2010 shows an increase of €1.5bn compared with the beginning of the year.

In the past few months, there has been a striking accumulation of costly natural catastrophes. Recent geophysical events, such as the earthquakes in Haiti, Chile, Turkey, Costa Rica and China, or volcanic eruptions on Iceland, in Ecuador or in Guatemala, are random phenomena and not the expression of an increasing trend. However, insured values have steadily risen, so that loss exposure has grown markedly over the years.

In addition, there were many storms and severe precipitation events in the first half of 2010: Winter Storm Xynthia, which caused major damage in Europe; storms in various US states with serious flooding in some cases; hailstorms in Australia; floods on the Odra and Vistula; and extreme rainfall in southern France and China. These severe weather events are a sign of a changing overall meteorological situation. We are proceeding on the assumption that such weather-related catastrophes will continue to accumulate and become even more intensive in the coming years as a consequence of climate change. However, our core business is to help insure and carry natural catastrophe losses. With our scientific risk knowledge grounded in experience, we analyse weather and loss trends and write our business on the basis of risk-adequate prices.

On 12 May 2010, the Annual General Meeting of ERGO Versicherungsgruppe AG adopted a squeeze-out resolution transferring the 237,065 shares belonging to the minority shareholders of ERGO Versicherungsgruppe AG (0.31% of share capital) to the majority shareholder Munich Reinsurance Company against cash compensation of €97.72 per share. The squeeze-out considerably simplifies shareholding structures, facilitates Group-wide cooperation, saves costs and is a logical step in our integrated insurance group strategy.

Reinsurance

- Successful treaty renewals at 1 April 2010; profitability of the renewed portfolio virtually unchanged
- Combined ratio of 106.4% for the first half of the year burdened by expenditure for natural catastrophes; 103.8% for the second quarter
- Gratifying investment result of €2.2bn in the first six months, €1.2bn in the second quarter
- Result of €1.1bn for the first half-year, €0.6bn for the second quarter

Key reinsurance figures[1]		Q1–2 2010	Q1–2 2009	Q2 2010	Q2 2009
Gross premiums written	€bn	11.6	10.9	5.6	5.5
Loss ratio property-casualty	%	76.2	71.0	71.8	73.3
Expense ratio property-casualty	%	30.2	26.9	32.0	25.1
Combined ratio property-casualty	%	106.4	97.9	103.8	98.4
Thereof natural catastrophes	Percentage points	12.8	3.5	5.4	1.5
Technical result	€m	448	598	340	278
Investment result	€m	2,157	1,962	1,222	1,087
Operating result	€m	1,697	1,956	1,092	1,099
Consolidated result	€m	1,057	1,309	633	631

		30.6.2010	31.12.2009
Investments	€bn	83.2	76.8
Net technical provisions	€bn	58.3	53.4

[1] Previous year's figures adjusted owing to first-time recognition of Munich Health as a separate segment (see "Recognition and measurement") and to IFRS 3.62 and IAS 8.

The consolidated result in reinsurance amounted to €1,057m (1,309m) in the first six months, €633m (631m) of which was attributable to the second quarter. Our reinsurance business in the second quarter and first half of 2010 was satisfactory overall, but major-loss expenditure was much higher than in the same period last year. The operating result for the first half of the year declined by 13.2% to €1,697m (1,956m). In the period from April to June, it totalled €1,092m (1,099m). Our investment result improved by 9.9% to €2,157m (1,962m) in the first half of 2010 and amounted to a satisfying €1,222m (1,087m) for the second quarter, mainly owing to gains on the disposal of investments.

Our premium income rose significantly by 6.0% to €11.6bn (10.9bn) for the first half of the year; for the months of April to June, it totalled €5.6bn (5.5bn). In the first half of the year, the euro fell against most other important currencies, which had a favourable impact on our premium volume, especially in North America. If exchange rates had remained the same, our premium volume would have been up 1.5% on the first half of last year and down 5.2% compared with the second quarter of 2009.

Gross premiums by division
Q1–2 2010

Life	34% (28%)
Global Clients and North America	27% (28%)
Europe and Latin America	14% (16%)
Germany, Asia Pacific and Africa	13% (14%)
Special and Financial Risks	12% (14%)

In the life segment, gross premiums written rose year on year by 26.0% to €3.9bn (3.1bn) for the first half-year 2010, essentially owing to the conclusion of large-volume quota share treaties. Our premium income climbed by 18.3% to €2.0bn (1.7bn) in the second quarter, continuing to benefit from demand for reinsurance as a capital substitute. Adjusted to eliminate the effects of changes in exchange rates, our premium income was up 16.3% since January and 5.5% since April.

In property-casualty reinsurance, the business of US insurer Hartford Steam Boiler (HSB), which we had acquired as at 31 March 2009, had a favourable impact of €156m on the change in premium volume given that, unlike in the first quarter of 2009, HSB was consolidated as a Group company in the first quarter of 2010. However, premium income showed an overall decline of 1.8% to €7.7bn (7.8bn) in the first six months of 2010. In the period from April to June 2010, we recorded premium of €3.6bn (3.8bn). The demand for insurance cover is stagnating in the current difficult economic environment, but we have been able to largely make up for this through the successful expansion of business within the framework of our long-term strategic partnerships and our greater involvement in specialty and niche segments. Adjusted to eliminate the effects of changes in exchange rates, premium volume for the first six months would have shown a decrease of 4.2% against the same period last year and 10.1% decline year on year for the period from April to June.

The satisfactory treaty renewals in property-casualty business at the turn of the year were followed at the beginning of April by treaty portfolio renewals with a volume of around €1.1bn (some 10% of overall treaty business), 35% of which concerned the markets of Japan and Korea and almost 40% North America and Global Clients. Overall, the trend of the January renewals continued. Markets moved sideways at best, with a slight downward tendency. It was only thanks to our consistent underwriting policy that we were able to buck the trend and maintain the quality of our portfolio. In keeping with this approach, we did not renew unprofitable business. We were nevertheless able to keep premium volume at the same level as last year by strengthening profitable client relations and achieving growth in the segment of complex liability risks.

The combined ratio amounted to 106.4% (97.9%) of net earned premiums for January to June and 103.8% (98.4%) for the second quarter. The overall burden from major losses totalled €1,359m (697m), or 19.6% (10.0%), in the first half of the year, natural catastrophes accounting for 12.8 (3.5) percentage points. Major-loss expenditure in the first half of 2010 significantly exceeded the figure for the same period last year – of the originally projected 6.5% for natural catastrophes in the annual loss ratio, around six percentage points occurred in the first half of the year alone. With insured market losses of around US$ 8bn, the earthquake in Chile on 27 February 2010 was the largest single-loss event in the period under review. It has thus far been difficult to make a reliable forecast owing to the primary insurers' low retentions, a high proportion of individually reinsured production facilities and buildings, and the losses from ongoing business interruptions; we currently estimate our overall expenditure at nearly US$ 1bn after retrocession and before tax, equivalent to approximately ten percentage points of the loss ratio. The earthquake is the third-largest loss in Munich Re's history, after the World Trade Center (2001) and Hurricane Katrina (2005). Besides this, there were further major natural catastrophes in the first half of the year. The most notable events were Winter Storm Xynthia in Europe at the end of February, two hailstorms in Australia in March and the losses caused by snow pressure following heavy snowfall on the east coast of the USA in February. Overall, natural catastrophes cost us some €900m.

On 20 April, the “Deepwater Horizon” oil rig exploded in the Gulf of Mexico. The largest loss event to affect us in the second quarter, it caused 11 fatalities, a high amount of property damage, and a terrible environmental disaster. This catastrophe is also turning into one of the most expensive claims in the offshore energy sector ever. We are reckoning with expenditure for our Group in the low three-digit million euro range. Our share of the property loss from the sinking of the oil rig is relatively easy to quantify at approximately US$ 80m. By contrast, the liability losses cannot yet be gauged with reasonable certainty, since complex issues need to be clarified regarding the cause of the disaster, especially given the large number of parties involved. We are convinced that we have made adequate provision for this portion of the losses as well. In the second quarter of the year, we were also affected by a pharmaceutical liability claim and a fire in a warehouse for aircraft parts.

Major-loss expenditure for the period from April to June 2010 totalled €598m (412m), €186m higher than in the same period last year. It accounts for 16.6 (11.3) percentage points of the combined ratio, of which 5.4 (1.5) are attributable to natural catastrophes and 11.2 (9.8) percentage points to man-made losses.

Primary insurance

- Total premium growth to €9.9bn; increase in German and international business
- Combined ratio of 96.6% for the first half-year; second-quarter figure of 94.5% includes burdens from flood losses
- Gratifying investment result of €3.1bn in the first half of the year, €1.4bn in the second quarter
- Satisfactory result of €293m for the first half-year and €128m for the second quarter, despite impairment losses of goodwill

Key primary insurance figures		Q1–2 2010	Q1–2 2009	Q2 2010	Q2 2009
Total premium income	€bn	9.9	9.2	4.8	4.4
Gross premiums written	€bn	8.9	8.4	4.2	4.0
Loss ratio property-casualty	%	63.4	61.9	62.5	62.2
Expense ratio property-casualty	%	33.2	32.8	32.0	31.1
Combined ratio property-casualty	%	96.6	94.7	94.5	93.3
Technical result	€m	255	498	204	254
Investment result	€m	3,060	1,829	1,438	1,103
Operating result	€m	627	276	376	213
Consolidated result	€m	293	1	128	60
Thereof attributable to minority interests	€m	6	13	1	19

		30.6.2010	31.12.2009
Investments	€bn	121.9	118.4
Net technical provisions	€bn	110.8	107.7

Munich Re's primary insurance segment comprises all the activities of the ERGO Insurance Group (ERGO) with the exception of health insurance business outside Germany, which is handled by Munich Health.

Gross premiums by class of business Q1–2 2010

Life	35% (36%)
Property-casualty	34% (33%)
Health	31% (31%)

ERGO was able to maintain its upward trend in the quarter ended. In the same period last year, the results had still been burdened by the financial crisis. The primary insurance consolidated result after tax totalled €293m (1m) for the period from January to June 2010 and €128m (60m) for the second quarter. Operating performance was also very satisfactory. At €627m (276m), our result for the first half of 2010 was more than double the figure for the same period last year, with €376m (213m) attributable to the months of April to June. The consolidated result for the second quarter was impacted by impairment losses of goodwill totalling €109m for ERGO SIGORTA A.S., Istanbul, reflecting stricter reserving regulations and the difficult profit situation on the Turkish motor insurance market. Without this write-down, the positive development would have been more visible in the consolidated result as well. The long, harsh winter, and flood losses in the second quarter made themselves felt in the technical result, where they were responsible for higher property-casualty claims expenditure than in the same period last year. Our combined ratio for the property-casualty segment increased to 96.6% (94.7%) in the first six months of the year. The improved consolidated result was largely ascribable to the investment result, which was 67.3% higher than the previous year's crisis-weakened figure. The improvement is mainly the result of a decrease of €957m in write-downs and losses on disposals compared with the same period last year. Another positive effect of €170m before tax and policyholders' participation resulted from the derivatives used to hedge against prolonged low-interest-rate scenarios.

Overall premium volume across all lines of business increased by 7.6% to a total of €9.9bn (9.2bn) for the first half of 2010, and by 7.9% to €4.8bn (4.4bn) for the period since April. Growth was generated in all areas, especially in international business, which also benefited from favourable currency translation developments in important markets for us, e.g. Poland and Turkey. Our gross premiums written amounted to €8.9bn (8.4bn) for the first half of 2010 and €4.2bn (4.0bn) for the period from April to June. Unlike overall premium volume, gross premiums written do not include the savings premiums from unit-linked life insurance and capitalisation products, which accounted for €1,029m (778m) in the first half of the year.

Our life insurers posted total premium income of €4.2bn (3.8bn) for the first six months of 2010, an increase of 9.0% year on year. In the second quarter, premium volume increased by 9.0% to €2.2bn (2.0bn). German business showed a rise in premium of 7.9% to €3.1bn (2.9bn) for the first half-year, with German new business (+35.4%) benefiting from the positive development of single-premium business (up 45.4%), due mainly to double-digit increase rates especially for traditional annuity insurance covers. In terms of the annual premium equivalent (APE[1]) – the customary international performance measure – our new business volume totalled €245m (224m) and was thus up by 9.4% compared with the same period last year. Given the current economic environment, clients are still shying away from concluding long-term contracts with regular premium payments for old-age provision. In international business, premium income climbed by 12.2% to €1,056m (941m) in the months of January to June, and we achieved good growth of 230.9% and 35.1% in Poland and Belgium respectively. The very gratifying increase in Poland is mainly attributable to our bank cooperation agreements, especially with our partner UniCredit.

In the health primary insurance segment, premium income since the beginning of the year climbed by 5.6% to €2.8bn (2.6bn), of which €1.3bn (1.3bn) was generated in the period April to June 2010. Business with supplementary benefit covers grew by 5.1%. In comprehensive health insurance, premium income expanded by an appreciable 6.8%, reflecting the marked price increases we were obliged to make at the beginning of 2010 owing to a general rise in medical costs. The conclusion of a major contract also had a positive effect on premium growth in comprehensive cover. New business was down 9.3% compared with the same period last year. At the beginning of 2009, many policies had been concluded because clients wanted to take out private insurance coverage at the conditions applying prior to major changes due to the health reform. In travel insurance, we registered a rise in premium volume of 8.7% in the period from January to June 2010. Following the difficulties encountered in the previous year, we see this as a sign that the travel sector is gradually recovering.

Premium volume in the property-casualty insurance segment totalled €3.0bn (2.8bn) in the period from January to June 2010 and €1.3bn (1.2bn) in the second quarter. The growth of 7.5% since the beginning of the year is largely based on international business. In Greece, our premium income rose by 50.2% in the first six months of the year, thanks to our exclusive partnership with Piraeus Bank. Premium expansion was

[1] APE = Total regular premium income and one-tenth of single-premium volume.

also strong in Poland (+25.5%) and South Korea (+38.9%), reflecting favourable developments in exchange rates and organic growth. In Germany, we registered a rise in premium income of 2.2% to €1.82bn (1.78bn) in the same period. This development was largely driven by commercial and industrial business, where we posted 2.8% growth in premium. Our business with personal accident policies also showed a satisfying rise (+2.6%), while other personal lines business remained essentially stable. In motor insurance, we posted premium income of €405m. Given our lower market share in motor business, we are less exposed than other insurers to the price competition in German motor business.

At 96.6% of net earned premiums, the combined ratio for the period from January to June 2010 was good, albeit higher than in the same period last year (94.7%). The weather losses mentioned earlier also had a significant impact on the loss ratio in property-casualty primary insurance, in particular in international business, where the loss ratio rose to 70.3% (66.9%). At 59.0%, the figure for German business in the first half of 2010 remained roughly the same as in the previous year (59.1%). The combined ratio for the second quarter was 94.5% (93.3%).

Munich Health

- Marked increase in premium volume by 40% in the first six months
- Combined ratio of 100.4% in the first half of the year and 99.5% in the second quarter
- Result of €16m for the first half of the year and €27m for the second quarter

Key Munich Health figures		Q1–2 2010	Q1–2 2009	Q2 2010	Q2 2009
Gross premiums written	€bn	2.6	1.8	1.3	1.1
Loss ratio[1]	%	80.1	81.3	79.9	79.6
Expense ratio[1]	%	20.3	17.4	19.6	18.2
Combined ratio[1]	%	100.4	98.7	99.5	97.8
Technical result	€m	17	31	22	26
Investment result	€m	89	63	56	39
Operating result	€m	60	56	56	53
Consolidated result	€m	16	-8	27	–4

		30.6.2010	31.12.2009
Investments	€bn	3.6	3.1
Net technical provisions	€bn	3.2	2.9

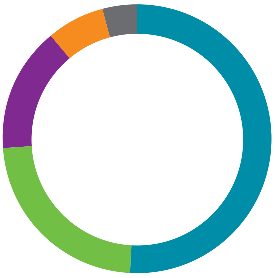
[1] Excluding health insurance conducted like life insurance.

Munich Health covers our health reinsurance business worldwide and our health primary insurance outside Germany. The cornerstones of Munich Health are the international subsidiaries of our health primary insurer DKV, the specialised US health insurer Sterling Life Insurance, Munich Re's worldwide health reinsurance business, and the service companies of the MedNet group.

Our health business – excluding health primary insurance in Germany – performed satisfactorily overall in the second quarter and first half of 2010. As in the first quarter, our gross premiums written showed a strong rise in the period from April to June, due essentially to the conclusion of large-volume reinsurance treaties used by our clients as capital relief in the wake of the financial crisis. The operating result remained constant, totalling €60m (56m) for the first six months and €56m (53m) for the second quarter. Munich Health posted a consolidated result of €16m (–8m) for the first six months and €27m (–4m) for the period from April to June.

Gross premiums by market region Q1–2 2010

North America (NA)	51% (48%)
Northern/Eastern/ Central Europe (NECE)	23% (25%)
Southern Europe/ Latin America (SELA)	15% (17%)
Asia/Pacific (APAC)	7% (3%)
Middle East/ Africa (MEA)	4% (7%)



Premium income improved appreciably year on year by 40.3% to €2.6bn (1.8bn) in the first six months, rising by 23.9% to €1.3bn (1.1bn) in the second quarter. International health primary insurance business showed an increase of 6.4% to €965m (907m) in the first six months, with particularly prominent premium growth in the United Kingdom, Spain and Belgium. In the second quarter of the year, premium income was up 7.2% to €461m (430m). Sterling Life's premium volume dropped again in the second quarter, given the more stringent US regulatory framework for the senior segment on which it focuses. Premium income came under pressure from sales restrictions. On top of this, contracts with providers are now being redrafted to comply with increased requirements in future. The growth in reinsurance premium income by 74.0% to €1,590m (914m) in the first half of 2010 and 35.4% to €842m (622m) in the second quarter is essentially due to the conclusion of new, large-volume treaties providing capital relief to clients in North America and Asia. If exchange rates had remained the same, premium volume would have risen by 31.9% year on year in the first half of 2010.

The combined ratio was 100.4% (98.7%) for the period January to June 2010 and 99.5% (97.8%) for the second quarter. This key indicator only relates to short-term health business, and not to business conducted like life insurance – for instance, in Belgium and Luxembourg. The latter type of business accounted for 12.8% (17.0%) of gross premiums written in the first half-year and 11.9% (14.1%) in the second quarter. The relatively high combined ratio is partly due to the start-up costs for our young subsidiaries DKV Salute, Italy, DKV Globality, Luxembourg, and Marina Salud, Spain. It was also influenced by a higher claims burden from individual reinsurance accounts in Asia and the Middle East. The combined ratio was up significantly in the national economies impacted by the recession, particularly Spain. In the period January to June 2010, the technical result dropped by €14m compared with the same period last year to €17m.

Investment performance

- Economic equity exposure of 2.5% at the balance sheet date
- Fixed-interest securities and loans remain a dominating factor at 85%
- Losses in market value due to widened risk spreads for under-pressure government bonds more than compensated for by well-balanced portfolio of interest-bearing investments
- Investment result up significantly on previous year at a very satisfying €5.1bn; €2.6bn for the second quarter

Under our asset-liability management approach, our investment strategy is geared to the structure of our liabilities. The characteristics of the payment obligations from insurance business, including their dependence on economic factors such as interest rates, currency and inflation, thus determine the investments selected. This cushions our assets somewhat against the effects of capital market fluctuations. Our investment policy also considers the special features of the reinsurance, primary insurance and Munich Health business segments. The particularly long-tailed underwriting liabilities

Investment mix[1]	Reinsurance				Primary insurance	
€m	Life		Property-casualty		Life	
	30.6. 2010	31.12. 2009	30.6. 2010	31.12. 2009	30.6. 2010	31.12. 2009
Land and buildings, including buildings on third-party land	260	211	1,160	1,095	1,748	1,775
Investments in affiliated companies	15	12	66	61	13	7
Investments in associates	54	43	289	256	199	190
Loans	68	61	273	283	30,703	29,852
Other securities held to maturity	–	–	–	–	69	83
Other securities available for sale						
Fixed-interest	12,268	10,461	46,204	44,711	36,521	36,456
Non-fixed-interest	918	359	3,896	1,832	1,668	1,913
Other securities at fair value through profit or loss						
Held for trading						
Fixed-interest	–	–	603	546	51	50
Non-fixed-interest	–	–	26	20	3	4
Derivatives	141	87	631	185	479	284
Designated as at fair value through profit or loss						
Fixed-interest	–	–	–	–	266	372
Non-fixed-interest	–	–	–	–	15	20
Deposits retained on assumed reinsurance	5,081	5,171	1,533	1,347	131	118
Other investments	154	141	698	882	1,266	633
Investments for the benefit of life insurance policyholders who bear the investment risk	–	–	–	–	4,500	4,024
Total	**18,959**	**16,546**	**55,379**	**51,218**	**77,632**	**75,781**

[1] After elimination of intra-Group transactions across segments.

of our life primary insurers are reflected in the corresponding maturity structure of the related investments. Where possible, these investments are made in instruments that can be posted as loans so as to avoid fluctuations in carrying amounts due to interest rate changes.

In the period under review, we built up our equity portfolio via selective reallocations from corporate bonds. The gains on disposals thus realised and the improved net balance of write-ups and write-downs contributed significantly to the 42.8% increase in the investment result. The overall balance of write-ups and write-downs plus net gains on disposals amounted to €1,351m (–28m) for the first half-year. Here Munich Re benefited from its conservative but nevertheless active asset management. The return on investment thus improved to 5.3% (4.0%).

As at the reporting date, some of the most important share price indices were significantly lower than at the start of the year. The second quarter in particular saw a downturn, with the EURO STOXX 50 losing around 12% in that period alone. While yields on German government bonds continued to fall between April and June, the government bonds of southern European countries in particular came under pressure and experienced rising risk spreads.

					Munich Health		Asset management		Total	
	Health		Property-casualty							
	30.6. 2010	31.12. 2009	30.6. 2010	31.12. 2009	30.6. 2010	31.12. 2009	30.6. 2010	31.12. 2009	30.6. 2010	31.12. 2009
	629	**635**	**347**	**309**	**18**	**15**	**50**	**46**	**4,212**	**4,086**
	23	**19**	**70**	**67**	**1**	**2**	**11**	**10**	**199**	**178**
	100	**106**	**153**	**141**	**47**	**32**	**72**	**55**	**914**	**823**
	14,972	**14,225**	**2,254**	**2,184**	**25**	**17**	**–**	**–**	**48,295**	**46,622**
	–	**–**	**1**	**1**	**–**	**–**	**–**	**–**	**70**	**84**
	11,269	11,099	5,207	5,063	2,096	1,692	89	84	113,654	109,566
	881	978	777	807	122	129	16	21	8,278	6,039
	–	–	–	–	3	4	–	–	657	600
	1	1	–	–	1	–	–	–	31	25
	79	32	12	5	17	3	–	–	1,359	596
	–	–	–	–	–	–	–	–	266	372
	–	–	–	–	–	–	–	–	15	20
	1	**1**	**3**	**3**	**180**	**158**	**–**	**–**	**6,929**	**6,798**
	184	**68**	**325**	**341**	**26**	**10**	**428**	**265**	**3,081**	**2,340**
	1	**1**	**–**	**–**	**1**	**1**	**–**	**–**	**4,502**	**4,026**
	28,140	**27,165**	**9,149**	**8,921**	**2,537**	**2,063**	**666**	**481**	**192,462**	**182,175**

The carrying amount of our investments showed an increase of €10.3bn or 5.6% since the beginning of the year. Marked falls in the euro exchange rate led to considerable increases in the market values of our investments held in foreign currencies. Our net unrealised gains also moved up €1.2bn to €6.0bn. Furthermore, our loans recognised at amortised cost showed valuation reserves of €3.2bn, an increase of €2.0bn. In reinsurance in particular, we benefited from the longer durations of our investments and the reduction in risk-free interest rates for these long-term securities, particularly those of German and US issuers. At the end of the quarter, our investment portfolio at carrying amounts continued to be dominated by fixed-interest securities and loans, which account for €163bn (157bn) or approx. 85%.

Other securities available for sale	Carrying amounts		Unrealised gains/losses		At amortised cost	
€m	30.6.2010	31.12.2009	30.6.2010	31.12.2009	30.6.2010	31.12.2009
Fixed-interest securities	**113,654**	**109,566**	**4,930**	**3,342**	**108,724**	**106,224**
Non-fixed-interest securities						
Equities	5,733	3,471	886	1,253	4,847	2,218
Investment funds	1,763	1,835	99	130	1,664	1,705
Other	782	733	37	25	745	708
	8,278	**6,039**	**1,022**	**1,408**	**7,256**	**4,631**
Total	**121,932**	**115,605**	**5,952**	**4,750**	**115,980**	**110,855**

Valuation reserves not recognised in the balance sheet	Valuation reserves	Fair value	Carrying amount	Valuation reserves	Fair value	Carrying amount
€m	30.6.2010	30.6.2010	30.6.2010	31.12.2009	31.12.2009	31.12.2009
Land and buildings[1]	1,718	8,456	6,738	1,722	8,280	6,558
Associates	283	1,161	878	186	982	796
Loans	3,247	51,542	48,295	1,287	47,909	46,622
Other securities	2	72	70	2	86	84
Total	**5,250**	**61,231**	**55,981**	**3,197**	**57,257**	**54,060**

[1] Including owner-occupied property.

Just over 46% of our fixed-interest securities and loans, including short-term items, are in government bonds or instruments for which public institutions are liable. The volatility of the bond markets led to our posting losses in market value (some significant) in the first half of the year in the face of rising risk spreads on bonds from Portuguese, Italian, Irish, Greek and Spanish issuers, which make up 14% of our portfolio. Thanks to our balanced portfolio, we nevertheless recorded overall market-value gains due largely to bonds from German and US issuers. These accounted for 33% and 16% of the portfolio respectively at the end of the quarter. Additionally, around 28% of our interest-bearing investments are in securities and debt instruments with top-quality collateralisation, mainly German pfandbriefs.

Following the switch from corporate bonds into equities, realised chiefly in the first quarter, corporate bonds accounted for 9% of our portfolio of fixed-interest investments as at the reporting date. Our portfolio of structured interest-bearing products, which are held chiefly by our reinsurance companies, expanded somewhat due to exchange- and interest-rate developments, increasing slightly by €0.3bn to €5.6bn (5.3bn) despite disposals. Around 83% of these securities have an AAA rating.

We hold inflation-indexed bonds with a volume of approximately €7.8bn (7.8bn). These offer a certain degree of protection against the risks of future inflation and the rise in interest rates typically associated with this.

Investing in real assets such as equities and real estate diversifies our portfolio and raises the level of protection against the inflation risk. In the period under review, we cautiously reallocated investments to equities, increasing our equity portfolio (including investments in affiliated companies and associates) to €7.5bn (5.2bn). As at the reporting date, our economic equity exposure after hedging was 2.5% (2.8%).

Investment result	Q1–2 2010	Q1–2 2009	Change	Q2 2010	Q2 2009	Change
	€m	€m	%	€m	€m	%
Regular income	3,918	3,776	3.8	2,036	2,027	0.4
Write-ups/write-downs	304	–667	–	397	–124	–
Net realised capital gains	1,047	639	63.8	392	280	40.0
Other income/expenses	–191	–193	1.0	–207	5	–
Total	**5,078**	**3,555**	**42.8**	**2,618**	**2,188**	**19.7**

Investment result by type of investment	Q1–2 2010	Q1–2 2009	Change	Q2 2010	Q2 2009	Change
	€m	€m	%	€m	€m	%
Real estate	157	160	–1.9	104	70	48.6
Investments in affiliated companies	44	–10	–	–	–1	100.0
Investments in associates	33	–29	–	19	18	5.6
Mortgage loans and other loans	1,095	952	15.0	555	495	12.1
Other securities	3,754	2,524	48.7	2,049	1,547	32.4
Deposits retained on assumed reinsurance, and other investments	106	42	152.4	53	–	–
Investments for the benefit of life insurance policyholders who bear the investment risk	91	129	–29.5	–56	171	–
Expenses for the management of investments, other expenses	202	213	–5.2	106	112	–5.4
Total	**5,078**	**3,555**	**42.8**	**2,618**	**2,188**	**19.7**

Regular investment income rose, due especially to the expansion of our portfolio of fixed-interest securities and loans and to the cautious recommencement of investments in credit-exposed securities. In addition, there was a rise in income from associates.

In the first half of 2010, the net balance of write-ups and write-downs of our investments was €304m (–667m). We posted net write-ups of €170m (-358m) on our swaptions, due primarily to falling interest rates in the second quarter. Swaptions are used by our life primary insurers to protect themselves against reinvestment risks in low-interest-rate phases. The weak markets led us to make write-downs of €72m (292m) on our equity portfolio, €61m (24m) of this in the second quarter. At the same time, the derivatives we hold to hedge our equity portfolio gained in value, enabling us to make net write-ups of €227m (137m) on our derivatives in total (excluding swaptions).

We made no significant write-downs on our fixed-interest securities and loans in the first six months of 2010, compared with downward corrections of €145m in the same period last year.

In terms of our overall investment portfolio, we again posted good net realised gains on disposals of €1,047m (639m) in the period under review; €392m (280m) was attributable to the second quarter.

Of the total gains on disposals, €744m (361m) was accounted for by our portfolio of fixed-interest securities available for sale, among other things through the sale of corporate bonds. Here we benefited from our 2009 strategy of investing more strongly in corporate bonds, which subsequently recorded market-value gains as risk spreads fell. In addition, we profited in our disposals of government bonds from the interest-rate level remaining low.

Furthermore, the gain on the disposal of non-fixed-interest securities available for sale and on derivatives with non-fixed-interest underlyings contributed €58m (334m) to the result from disposals. Of this, around €90m is attributable to the reduction of our stake in Helvetia Holding AG from approx. 8.2% to under 3% in the second quarter.

In the period under review, we generated €91m (129m) from investments for the benefit of life insurance policyholders who bear the investment risk. We post this in the investment result under “other income/expenses”.

Assets under management for third parties				30.6.2010	31.12.2009
Third-party investments			€bn	8.1	7.9
		Q1–2 2010	Q1–2 2009	Q2 2010	Q2 2009
Group asset management result	€m	31	16	19	8

MEAG MUNICH ERGO AssetManagement GmbH 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 amount managed by MEAG in private-client business via investment funds totalled €1.9bn (2.0bn).

MEAG’s assets under management for institutional clients outside the Group rose to €6.2bn (5.9bn). The consolidated result in asset management improved to €31m (16m). 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 €27.8bn (18.8bn).

Prospects

- Challenges for the Group owing to difficult economic environment, but also opportunities thanks to financial strength and know-how
- Sharpened positioning in reinsurance
- ERGO to drive profitability with new brand strategy
- Premium income in the range of €44–46bn expected
- Envisaged consolidated result of over €2bn remains ambitious

There are various reasons why the quarterly results of insurance companies, including Munich Re, are not a suitable 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-downs of investments do not follow a regular pattern. Consequently, our quarterly figures do not provide more than guidance regarding the result for the year that could be expected.

Overview
Expansive fiscal and monetary policy worldwide seems to have succeeded in ending the worst recession in decades. The economic recovery that began in the second half of 2009 continues. However, it is still not certain how durable the recovery will be. Even if the downturn has been stopped, it will take a long time for economic performance to return to its pre-crisis level, for companies to again invest more and demand more insurance cover, and for consumers to spend a greater share of their income on private provision. Yet despite the difficult economic situation, there are many different opportunities for us.

Reinsurance
Reinsurance continues to hold considerable promise for the future. We have responded to a shift in demand trends by repositioning ourselves. Even more so than in the past, Munich Re will offer its cedants specialist consulting services and solutions also for issues such as balance sheet management, risk modelling or asset-liability management, wherever possible via customised insurance covers. For new and complex risks, we devise innovative coverage concepts that go beyond traditional reinsurance.

Life reinsurance offers good growth potential. The main stimuli for growth will derive from continuing demand for large-volume capital substitute solutions, the preparation and implementation of European supervisory rules (Solvency II), the need for asset protection, and the dynamic expansion of the Asian life insurance markets. Our gross premiums written should reach a volume of around €8bn in 2010.

We are adhering to our objective of doubling the value added by new business in life reinsurance in the period 2006 to 2011. Taking Market Consistent Embedded Value (MCEV) Principles as a basis, this means that we are aiming for value added by new business of €330m for 2011. Given the good results of recent years, we are at present confident of being able to continue surpassing this goal in the long term.

In property-casualty reinsurance, which – as experience has shown – is exposed to market cycles, Munich Re will maintain its clear, profit-oriented underwriting policy and accept risks only at commensurate prices, terms and conditions.

In the renewals on 1 July 2010 (parts of the US market, Australia and Latin America), which with a volume of approximately €1.7bn involve around 16% of the total treaty business to be renewed, markets continued to move sideways – with the exception of those with recent claims experience. In Australia, for instance, we were able to obtain significant price increases, given the accumulation of weather-related losses here in the last few years. The earthquake in Chile had a very favourable effect on prices in that country, also stabilising terms and conditions in the rest of Latin America – a fact we took advantage of in order to selectively expand our business.

For the renewals at 1 January 2011, we do not expect any significant change in the market situation. The cyclone season has begun and will last until the end of November. Munich Re's geoscientists anticipate that the frequency of cyclones will tend to be higher in 2010, since there will be no El Niño effect this year and the Atlantic's surface water temperatures have reached record levels.

In the medium to long term, Munich Re will benefit from the constantly growing accumulation hazards and related strong demand for effective capital relief. Since we are excellently positioned with our know-how and financial strength, we will be able to take advantage of these opportunities. In the short term, however, the weakness of the economy will continue to have a curtailing effect on demand.

For 2010, we project gross premiums written of just over €15bn in property-casualty reinsurance. We envisage a combined ratio of around 97% of net earned premiums over the market cycle as a whole for property-casualty business, but this figure is likely to be exceeded significantly in 2010, since our long-term estimate is based on an average major-loss burden of 6.5% from natural catastrophes. The first half year of 2010, however, was already affected by very severe accumulation losses from natural catastrophes, whose costs of around €900m alone accounted for some six percentage points.

We anticipate that gross premiums in reinsurance (without Munich Health) will range between €23bn and €24bn in 2010, provided that exchange rates stabilise and the economy-related losses in premium income for primary insurers and their impact on reinsurance covers keep within reasonable bounds or can be offset by additional business. This slightly exceeds the premium forecast given in the first quarter of 2010 for the reinsurance segment.

With only one half of the year elapsed, the consolidated result in reinsurance is subject to considerable uncertainty as far as major losses and capital market developments are concerned.

Primary insurance

Last year, ERGO decided to gear its brand strategy in Germany even more strongly to the needs of its clients. The new brand presence was launched on 21 June with the following entries in the commercial register: Life insurer Hamburg-Mannheimer Versicherungs-AG was renamed ERGO Lebensversicherung AG. Property-casualty insurer Victoria Versicherung AG is now called ERGO Versicherung AG. On 1 July, the property-casualty insurers of D.A.S. and Hamburg-Mannheimer were merged into ERGO Versicherung AG. From now on, ERGO provides life and property-casualty insurance in Germany under a single brand. The renaming of KarstadtQuelle Versicherungen, which is now called ERGO Direkt Versicherungen, was completed in the first quarter of 2010. ERGO is keeping the brands of its specialist insurers D.A.S. (legal protection insurance), DKV (health insurance) and ERV (travel insurance). They are leading in their fields and have partnership agreements in and outside Germany, for which the special brands are important. In October, ERGO will revise its brand presence in the fields of health and legal protection, pooling the companies involved under the DKV and D.A.S. brands.

In life insurance, our total premium income should be above the previous year's level, i.e. slightly over €8bn, while gross premiums written should total just over €6bn. We anticipate that there will be a moderate rise in premium revenue in international and German business. Our German new business should show a slight increase in premium income in 2010 – a trend that will be due partly to the performance of capital-market based products and traditional annuity insurance covers.

It is advantageous, particularly in the current low-interest-rate phase, that we manage our life business on a consistently economic basis, i.e. taking account of risks from guarantees and options. With our hedging programme, which benefits shareholders and policyholders alike, we took countermeasures against prolonged low-interest-rate phases at an early stage. Moreover, we adequately limit the bonus payments promised and make sure the terms and conditions for single-premium business are always reasonable. Nevertheless, the low-interest-rate environment has an adverse impact on business dominated by guarantee products, and the sale of unit-linked products is stagnating in this market. The new ERGO brand is designed to strengthen our sales in German life insurance and we expect this, together with the effects of the cost reduction programme, to have a positive impact on results in the medium term.

In the health primary insurance segment, we aim to grow premium income to around €5bn. We should be able to achieve premium growth particularly in comprehensive health insurance, where we had to raise prices significantly at the beginning of 2010 owing to the general rise in claims and benefits in healthcare.

In property-casualty insurance, we also anticipate premium growth to just over €5bn, largely owing to international business. In Germany, premium volume should show a slight increase as well, even though market premium as a whole is likely to be slightly higher than last year. Especially because of the many natural hazard events during the first half of 2010, which led to a combined ratio of 96.6%, our target ratio of under 95% is becoming increasingly ambitious.

Our total premium income in primary insurance (without Munich Health) should reach around €19bn for 2010, thus exceeding last year's figure (€18.1bn). We project that gross premiums written will range between €17bn and €18bn (previous year: €16.6bn, excluding health primary insurance outside Germany). Unlike at year-end 2009, primary insurance business outside Germany is no longer shown in the primary insurance segment, but is now included in Munich Health.

We are adhering to our forecast for the primary insurance segment's consolidated result, despite the write-downs for impairments of goodwill in the second quarter. For the ERGO subgroup (including Munich Health primary insurance) we expect a result of €350–450m (previous year: €173m).

This forecast reflects our investments in rebranding and our improved operating result in the first half of the year, thanks to which we will be able to absorb the write-downs made.

Munich Health
The international healthcare markets offer a host of long-term growth opportunities, particularly thanks to advances in medicine and increases in life expectancy. We intend to take advantage of these opportunities.

We are focusing on the sustained profitability of the segment and on business models that are attractive in the long term in the countries in which we operate. To this end, for instance, we will apply the successful business model of our minority interest in DAMAN to neighbouring regions. We constantly subject our existing portfolio to close scrutiny in order to improve its earnings strength.

The gross premiums written by Munich Health, comprising the premium for health insurance outside Germany and worldwide health reinsurance business, are likely to total around €5bn in 2010.

We are expecting only a small positive result contribution from this young field of business this year, due to the ongoing start-up investments in several units and burdens from the recession.

Opportunities and risks will derive for our reinsurance business and our health insurance subsidiary Sterling from the US healthcare reform adopted by Congress on 21 March 2010. We are analysing the implications of this legislation in detail and will design our strategy and business models in the US market accordingly.

Munich Re (Group)
In the European Union, solvency supervision for primary insurers and reinsurers is facing profound changes owing to the planned new rules under Solvency II. The entry into force of the new supervisory regulations is anticipated for 2012. In its preliminary studies, the European Commission has been examining the impact of Solvency II's quantitative risk capital requirements on the companies concerned. Irrespective of the fine-tuning still to be done, Solvency II will have a significant impact on insurance supply and demand and will provide new opportunities for Munich Re in both primary insurance and reinsurance.

If there is no significant change in exchange rates compared with the average for the first half of the year, we project that gross premiums written by the Group will range between €44–46bn in 2010 (consolidated total premium), thus slightly surpassing the premium forecast given in the first quarter of 2010.

For the current year, we anticipate a return on investments (RoI) of just over 4%, a slightly higher level than forecast in the previous quarter. The increase is due mainly to the high gains on disposals and write-ups we realised in the second quarter. For the further course of 2010, however, we do not foresee any appreciable rise in capital market interest rates. This development will also be reflected in a correspondingly lower return on our new investments in interest-bearing instruments. We thus expect regular income from our portfolio of these investments to be comparatively reduced. In addition, we cannot assume that in the further course of the year there will be write-ups and gains on disposals to the same extent as in the first half-year. Our equity-backing ratio is currently relatively low; we intend to increase it over time, but not to past levels. Our exposure to impairments in the value of equities is thus marginal, but so is our opportunity to realise capital gains. We are therefore proceeding on the assumption that investment results in the coming years will be lower than in the previous years and first half of 2010. Even if economic figures and early indicators have gradually stabilised recently, the capital markets have been volatile, so further burdens on results cannot be ruled out. Since we essentially aim to maintain the relatively cautious risk profile of our investments, we should be well protected against extreme losses.

We are adhering to our long-term objective of a 15% return on our risk-based capital (RORAC) after tax across the cycle. However, this target will be difficult to achieve given the currently low level of interest rates.

We are still aiming for a consolidated result of over €2bn for 2010. Following the major losses in the first half-year, this target remains ambitious, but given normal loss experience and continued strong investment results it is certainly achievable. We expect to be able to improve results in 2011.

Our 2009/2010 share buy-back programme, with a volume of €1bn, was concluded as planned on 21 April 2010. In May 2010, we launched the 2010/11 share buy-back programme. By the next Annual General Meeting on 20 April 2011, we intend to buy back shares for a maximum total purchase price of €1bn. The full execution of this share buy-back programme remains subject to developments in the capital markets and the general economic environment. By the end of July 2010, we had bought back a total of 2.0 million Munich Re shares with a volume of €207m.

The statements relating to opportunities and risks as presented in the Munich Re Group's Annual Report 2009 apply unchanged.

Interim consolidated financial statements
Consolidated balance sheet as at 30 June 2010[1]

Assets			30.6.2010	31.12.2009	Change	
	€m	€m	€m	€m	€m	%
A. Intangible assets						
I. Goodwill		3,602		3,477	125	3.6
II. Other intangible assets		1,736		1,718	18	1.0
			5,338	**5,195**	**143**	**2.8**
B. Investments						
I. Land and buildings. including buildings on third-party land		4,212		4,086	126	3.1
Thereof: Investment property held for sale		22		90	–68	–75.6
II. Investments in affiliated companies and associates		1,113		1,001	112	11.2
III. Loans		48,295		46,622	1,673	3.6
IV. Other securities						
1. Held to maturity	70			84	–14	–16.7
2. Available for sale	121,932			115,605	6,327	5.5
3. At fair value through profit or loss	2,328			1,613	715	44.3
		124,330		117,302	7,028	6.0
V. Deposits retained on assumed reinsurance		6,929		6,798	131	1.9
VI. Other investments		3,081		2,340	741	31.7
			187,960	**178,149**	**9,811**	**5.5**
C. Investments for the benefit of life insurance policyholders who bear the investment risk			**4,502**	**4,026**	**476**	**11.8**
D. Ceded share of technical provisions			**6,000**	**4,983**	**1,017**	**20.4**
E. Receivables						
I. Current tax receivables		525		700	–175	–25.0
II. Other receivables		11,410		10,070	1,340	13.3
			11,935	**10,770**	**1,165**	**10.8**
F. Cash at bank, cheques and cash in hand			**3,385**	**3,082**	**303**	**9.8**
G. Deferred acquisition costs						
Gross		9,203		8,604	599	7.0
Ceded share		86		76	10	13.2
Net			9,117	8,528	589	6.9
H. Deferred tax assets			**5,369**	**5,025**	**344**	**6.8**
I. Other assets			**3,716**	**3,654**	**62**	**1.7**
Thereof: Owner-occupied property held for sale			–	13	–13	–100.0
Total assets			**237,322**	**223,412**	**13,910**	**6.2**

[1] Previous year's figures adjusted owing to first-time recognition of Munich Health as a separate segment (see "Recognition and measurement") and to IFRS 3.62 and IAS 8.

Equity and liabilities	30.6.2010		31.12.2009	Change	
	€m	€m	€m	€m	%
A. Equity					
I. Issued capital and capital reserve	7,388		7,388	–	–
II. Retained earnings	11,395		10,667	728	6.8
III. Other reserves	3,530		1,473	2,057	139.6
IV. Consolidated result attributable to Munich Reinsurance Company equity holders	1,191		2,521	–1,330	–52.8
V. Minority interests	245		229	16	7.0
		23,749	**22,278**	**1,471**	**6.6**
B. Subordinated liabilities		**4,903**	**4,790**	**113**	**2.4**
C. Gross technical provisions					
I. Unearned premiums	8,220		6,946	1,274	18.3
II. Provision for future policy benefits	103,237		100,862	2,375	2.4
III. Provision for outstanding claims	51,699		46,846	4,853	10.4
IV. Other technical provisions	10,400		10,146	254	2.5
		173,556	**164,800**	**8,756**	**5.3**
D. Gross technical provisions for life insurance policies where the investment risk is borne by the policyholders		**4,767**	**4,117**	**650**	**15.8**
E. Other accrued liabilities		**3,190**	**3,206**	**–16**	**–0.5**
F. Liabilities					
I. Bonds and notes issued	320		276	44	15.9
II. Deposits retained on ceded business	2,861		2,176	685	31.5
III. Current tax liabilities	3,107		3,134	–27	–0.9
IV. Other liabilities	11,598		10,114	1,484	14.7
		17,886	**15,700**	**2,186**	**13.9**
G. Deferred tax liabilities		**9,271**	**8,521**	**750**	**8.8**
Total equity and liabilities		**237,322**	**223,412**	**13,910**	**6.2**

Consolidated income statement for the period 1 January to 30 June 2010[1]

Items			Q1–2 2010	Q1–2 2009		Change
	€m	€m	€m	€m	€m	%
Gross premiums written	**22,613**			**20,693**	**1,920**	**9.3**
1. **Earned premiums**						
Gross	21,958			19,894	2,064	10.4
Ceded	880			765	115	15.0
Net		**21,078**		**19,129**	**1,949**	**10.2**
2. **Income from technical interest**		**3,488**		**2,484**	**1,004**	**40.4**
3. **Expenses for claims and benefits**						
Gross	19,118			16,310	2,808	17.2
Ceded share	566			296	270	91.2
Net		**18,552**		**16,014**	**2,538**	**15.8**
4. **Operating expenses**						
Gross	5,562			4,744	818	17.2
Ceded share	225			163	62	38.0
Net		**5,337**		**4,581**	**756**	**16.5**
5. **Technical result (1–4)**			**677**	**1,018**	**-341**	**-33.5**
6. **Investment result**						
Investment income	7,230			7,043	187	2.7
Investment expenses	2,152			3,488	–1,336	–38.3
Total		**5,078**		**3,555**	**1,523**	**42.8**
Thereof:						
Income from associates		33		–29	62	–
7. **Other operating income**		**347**		**325**	**22**	**6.8**
8. **Other operating expenses**		**396**		**305**	**91**	**29.8**
9. **Deduction of income from technical interest**		**-3,488**		**–2,484**	**–1,004**	**–40.4**
10. **Non-technical result (6–9)**			**1,541**	**1,091**	**450**	**41.2**
11. **Operating result**			**2,218**	**2,109**	**109**	**5.2**
12. **Other non-operating result**			**-325**	**–151**	**–174**	**–115.2**
13. **Impairment losses of goodwill**			**109**	**98**	**11**	**11.2**
14. **Finance costs**			**145**	**158**	**-13**	**-8.2**
15. **Taxes on income**			**445**	**568**	**-123**	**-21.7**
16. **Consolidated result**			**1,194**	**1,134**	**60**	**5.3**
Thereof:						
Attributable to Munich Reinsurance Company equity holders			**1,191**	**1,118**	**73**	**6.5**
Attributable to minority interests			**3**	**16**	**-13**	**-81.3**
			€	€	€	%
Earnings per share			**6.33**	**5.73**	**0.60**	**10.5**

[1] Previous year's figures adjusted owing to first-time recognition of Munich Health as a separate segment (see "Recognition and measurement") and to IFRS 3.62 and IAS 8.

Consolidated income statement for the period 1 April to 30 June 2010

Items			Q2 2010	Q2 2009	Change	
	€m	€m	€m	€m	€m	%
Gross premiums written	**10,956**			**10,326**	**630**	**6.1**
1. **Earned premiums**						
Gross	11,348			10,508	840	8.0
Ceded	423			376	47	12.5
Net		**10,925**		**10,132**	**793**	**7.8**
2. **Income from technical interest**		**1,661**		**1,334**	**327**	**24.5**
3. **Expenses for claims and benefits**						
Gross	9,476			8,772	704	8.0
Ceded share	318			113	205	181.4
Net		**9,158**		**8,659**	**499**	**5.8**
4. **Operating expenses**						
Gross	2,977			2,408	569	23.6
Ceded share	88			79	9	11.4
Net		**2,889**		**2,329**	**560**	**24.0**
5. **Technical result (1–4)**			**539**	**478**	**61**	**12.8**
6. **Investment result**						
Investment income	3,856			3,452	404	11.7
Investment expenses	1,238			1,264	–26	–2.1
Total		**2,618**		**2,188**	**430**	**19.7**
Thereof: Income from associates		19		18	1	5.6
7. **Other operating income**		**166**		**205**	**–39**	**–19.0**
8. **Other operating expenses**		**214**		**164**	**50**	**30.5**
9. **Deduction of income from technical interest**		**–1,661**		**–1,334**	**–327**	**–24.5**
10. **Non-technical result (6–9)**			**909**	**895**	**14**	**1.6**
11. **Operating result**			**1,448**	**1,373**	**75**	**5.5**
12. **Other non-operating result**			**–182**	**–248**	**66**	**26.6**
13. **Impairment losses of goodwill**			**109**	**40**	**69**	**172.5**
14. **Finance costs**			**76**	**76**	**–**	**–**
15. **Taxes on income**			**372**	**312**	**60**	**19.2**
16. **Consolidated result**			**709**	**697**	**12**	**1.7**
Thereof:						
Attributable to Munich Reinsurance Company equity holders			**709**	**685**	**24**	**3.5**
Attributable to minority interests			**–**	**12**	**–12**	**–100.0**
			€	€	€	%
Earnings per share			**3.80**	**3.51**	**0.29**	**8.3**

Consolidated income statement (quarterly breakdown)

Items	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009
€m						
Gross premiums written	**10,956**	**11,657**	**10,375**	**10,355**	**10,326**	**10,367**
1. Earned premiums						
Gross	11,348	10,610	10,884	10,449	10,508	9,386
Ceded	423	457	470	466	376	389
Net	**10,925**	**10,153**	**10,414**	**9,983**	**10,132**	**8,997**
2. Income from technical interest	**1,661**	**1,827**	**1,452**	**1,858**	**1,334**	**1,150**
3. Expenses for claims and benefits						
Gross	9,476	9,642	8,177	8,676	8,772	7,538
Ceded share	318	248	156	319	113	183
Net	**9,158**	**9,394**	**8,021**	**8,357**	**8,659**	**7,355**
4. Operating expenses						
Gross	2,977	2,585	3,079	2,763	2,408	2,336
Ceded share	88	137	111	131	79	84
Net	**2,889**	**2,448**	**2,968**	**2,632**	**2,329**	**2,252**
5. Technical result (1–4)	**539**	**138**	**877**	**852**	**478**	**540**
6. Investment result						
Investment income	3,856	3,374	3,311	3,221	3,452	3,591
Investment expenses	1,238	914	1,220	984	1,264	2,224
Total	**2,618**	**2,460**	**2,091**	**2,237**	**2,188**	**1,367**
Thereof:						
Income from associates	19	14	-69	-25	18	-47
7. Other operating income	**166**	**181**	**199**	**164**	**205**	**120**
8. Other operating expenses	**214**	**182**	**315**	**183**	**164**	**141**
9. Deduction of income from technical interest	**-1,661**	**-1,827**	**-1,452**	**-1,858**	**-1,334**	**-1,150**
10. Non-technical result (6–9)	**909**	**632**	**523**	**360**	**895**	**196**
11. Operating result	**1,448**	**770**	**1,400**	**1,212**	**1,373**	**736**
12. Other non-operating result	**-182**	**-143**	**-278**	**-43**	**-248**	**97**
13. Impairment losses of goodwill	**109**	**–**	**19**	**–**	**40**	**58**
14. Finance costs	**76**	**69**	**73**	**73**	**76**	**82**
15. Taxes on income	**372**	**73**	**250**	**446**	**312**	**256**
16. Consolidated result	**709**	**485**	**780**	**650**	**697**	**437**
Thereof:						
Attributable to Munich Reinsurance Company equity holders	**709**	**482**	**760**	**643**	**685**	**433**
Attributable to minority interests	**–**	**3**	**20**	**7**	**12**	**4**
€						
Earnings per share	**3.80**	**2.54**	**3.94**	**3.29**	**3.51**	**2.22**

Statement of recognised income and expense for the period 1 January to 30 June 2010

	Q1–2 2010	Q1–2 2009
	€m	€m
Consolidated result	**1,194**	**1,134**
Currency translation		
Gains (losses) recognised in equity	1,512	51
Recognised in the consolidated income statement	–	–
Unrealised gains and losses on investments		
Gains (losses) recognised in equity	1,317	594
Recognised in the consolidated income statement	–756	–657
Change resulting from valuation at equity		
Gains (losses) recognised in equity	1	21
Recognised in the consolidated income statement	–	–
Change resulting from cash flow hedges		
Gains (losses) recognised in equity	–3	–
Recognised in the consolidated income statement	–	–
Actuarial gains and losses on defined benefit plans	12	47
Other changes	2	–17
Income and expense recognised directly in equity	**2,085**	**39**
Total recognised income and expense	**3,279**	**1,173**
Thereof:		
Attributable to Munich Reinsurance Company equity holders	3,261	1,171
Attributable to minority interests	18	2

Statement of recognised income and expense for the period 1 April to 30 June 2010

	Q2 2010	Q2 2009
	€m	€m
Consolidated result	**709**	**697**
Currency translation		
Gains (losses) recognised in equity	989	–216
Recognised in the consolidated income statement	–	–
Unrealised gains and losses on investments		
Gains (losses) recognised in equity	562	641
Recognised in the consolidated income statement	–360	–530
Change resulting from valuation at equity		
Gains (losses) recognised in equity	5	44
Recognised in the consolidated income statement	–	–
Change resulting from cash flow hedges		
Gains (losses) recognised in equity	–2	–1
Recognised in the consolidated income statement	–	–
Actuarial gains and losses on defined benefit plans	**10**	**67**
Other changes	**9**	**–5**
Income and expense recognised directly in equity	**1,213**	**–**
Total recognised income and expense	**1,922**	**697**
Thereof:		
Attributable to Munich Reinsurance Company equity holders	**1,915**	**673**
Attributable to minority interests	**7**	**24**

Group statement of changes in equity

€m
Status at 31.12.2008
Allocation to retained earnings
Consolidated result
Income and expense recognised directly in equity
Currency translation
Unrealised gains and losses on investments
Change resulting from valuation at equity
Change resulting from cash flow hedges
Actuarial gains and losses on defined benefit plans
Other changes
Total recognised income and expense
Change in shareholdings in subsidiaries
Change in consolidated group
Dividend
Share buy-backs
Retirement of own shares
Status at 30.6.2009
Status at 31.12.2009
Allocation to retained earnings
Consolidated result
Income and expense recognised directly in equity
Currency translation
Unrealised gains and losses on investments
Change resulting from valuation at equity
Change resulting from cash flow hedges
Actuarial gains and losses on defined benefit plans
Other changes
Total recognised income and expense
Change in shareholdings in subsidiaries
Change in consolidated group
Dividend
Share buy-backs
Retirement of own shares
Status at 30.6.2010

Equity attributable to Munich Reinsurance Company equity holders								Minority interests	Total equity
Issued capital	Capital reserve	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			
588	6,800	12,024	-1,181	2,227	-1,194	3	1,555	285	21,107
–	–	482	–	–	–	–	-482	–	–
–	–	–	–	–	–	–	1,118	16	1,134
–	–	52	–	-52	53	–	–	-14	39
–	–	–	–	–	53	–	–	-2	51
–	–	–	–	-68	–	–	–	5	-63
–	–	5	–	16	–	–	–	–	21
–	–	–	–	–	–	–	–	–	–
–	–	47	–	–	–	–	–	–	47
–	–	–	–	–	–	–	–	-17	-17
–	–	52	–	-52	53	–	1,118	2	1,173
–	–	3	–	–	–	–	–	-34	-31
–	–	8	–	–	–	–	–	1	9
–	–	–	–	–	–	–	-1,073	-2	-1,075
–	–	–	-57	–	–	–	–	–	-57
–	–	-1,000	1,000	–	–	–	–	–	–
588	6,800	11,569	-238	2,175	-1,141	3	1,118	252	21,126
588	6,800	11,247	-580	2,717	-1,245	1	2,521	229	22,278
–	–	1,449	–	–	–	–	-1,449	–	–
–	–	–	–	–	–	–	1,191	3	1,194
–	–	13	–	554	1,506	-3	–	15	2,085
–	–	–	–	–	1,506	–	–	6	1,512
–	–	–	–	558	–	–	–	3	561
–	–	5	–	-4	–	–	–	–	1
–	–	–	–	–	–	-3	–	–	-3
–	–	12	–	–	–	–	–	–	12
–	–	-4	–	–	–	–	–	6	2
–	–	13	–	554	1,506	-3	1,191	18	3,279
–	–	-1	–	–	–	–	–	–	-1
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	-1,072	-2	-1,074
–	–	–	-733	–	–	–	–	–	-733
–	–	-1,002	1,002	–	–	–	–	–	–
588	6,800	11,706	-311	3,271	261	-2	1,191	245	23,749

Condensed consolidated cash flow statement for the period from 1 January to 30 June 2010

	Q1–2 2010	Q1–2 2009
	€m	€m
Consolidated result	**1,194**	**1,134**
Net change in technical provisions	6,386	4,111
Change in deferred acquisition costs	–589	–238
Change in deposits retained and accounts receivable and payable	–100	–941
Change in other receivables and liabilities	702	–9
Gains and losses on the disposal of investments	–1,047	–639
Change in securities held for trading	–341	1,025
Change in other balance sheet items	–51	73
Other income and expenses without impact on cash flow	–1,037	719
I. Cash flows from operating activities	**5,117**	**5,235**
Inflows from the sale of consolidated companies	2	–
Outflows for the acquisition of consolidated companies	–	560
Change from the acquisition, sale and maturities of other investments	–2,416	–1,983
Change from the acquisition and sale of investments for unit-linked life insurance	–387	–367
Other	–91	–72
II. Cash flows from investing activities	**–2,892**	**–2,982**
Inflows from increases in capital	–	–
Outflows for share buy-backs	733	57
Dividend payments	1,074	1,075
Change from other financing activities	–236	–1,103
III. Cash flows from financing activities	**–2,043**	**–2,235**
Cash flows for the financial year (I + II + III)	**182**	**18**
Effect of exchange rate changes on cash	121	10
Cash at the beginning of the financial year	3,082	2,365
Cash at 30 June of the financial year	3,385	2,393

Selected notes to the consolidated financial statements

Recognition and measurement

This half-year financial report as at 30 June 2010 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 the first time for periods beginning on 1 January 2010.

The following new or revised standards are of significance:

The revision of IFRS 3 (rev. 01/2008), Business Combinations, and IAS 27 (rev. 01/2008), Consolidated and Separate Financial Statements, mainly involves changes in the balance sheet recognition of non-controlling interests, successive share purchases, acquisition-related costs and contingent consideration. In addition, there have been amendments to the rules for the treatment of changes in ownership interests with and without loss of control. This has resulted in a knock-on change to IAS 28, Investments in Associates. Effects of the new rules for Munich Re will, owing to their prospective application, result only for future acquisitions or sales of shareholdings and will be dependent on the conditions of the respective transaction.

The change in IAS 39 (rev. 07/2008), Financial Instruments: Recognition and Measurement, Eligible Hedged Items, provides guidance on designating a portion of cash flows or a risk as a “hedged item” and the extent to which inflation risks may be designated “hedged items”. The new rules have had no impact for Munich Re.

The change to IFRS 2 (rev. 06/2009), Share-based Payment, clarifies the recognition of cash-settled share-based payment transactions. The new rules mainly concern the question of how individual subsidiaries in a group are to recognise (cash-settled) share-based payment agreements in their own financial statements. Under these agreements, the subsidiary receives goods or services from employees or suppliers which the parent or another group company pays for. The new rules have had no implications for Munich Re.

The changes published as part of the IASB’s Annual Improvement Process in April 2009 are also to be applied for the first time for financial years beginning on or after 1 January 2010. Involving a total of ten standards and two interpretations, they are of subordinate importance for Munich Re.

The first-time application of the interpretation IFRIC 17, Distributions of Non-cash Assets to Owners, has had no material impact.

As from this year, the business field of Munich Health, which covers our health reinsurance business worldwide and our health primary insurance outside Germany, is being shown for the first time as a separate segment. Munich Health’s business was previously disclosed in the segments “life and health reinsurance” and “health primary insurance”. Minus the business written by Munich Health, the segment “life and health reinsurance” has become simply “life reinsurance”. The health primary insurance segment continues to include our German health insurance business and our travel insurance business.

In the Munich Health segment too, an interest component in the form of income from technical interest is recognised in the technical result. For international primary insurance business, the income from technical interest is based on the interest allocated to the provision for future policy benefits (actuarial interest rate) and the interest on technical provisions at the relevant national risk-free interest rate. In the case of long-term reinsurance treaties, the interest corresponds to the contractually agreed allocations of interest. For short-term reinsurance treaties, the technical interest is calculated on the basis of the risk-free interest on technical provisions at the relevant national interest rate. In addition, we have further refined the method of distributing the investment results between our segments. The figures for the previous year have been adjusted accordingly.

Otherwise, the same principles of recognition, measurement and consolidation have been applied as in our consolidated financial statements as at 31 December 2009. In accordance with IAS 34.41, greater use is made of estimation methods and planning data in preparing our quarterly figures than in our annual financial reporting. Taxes on income in Munich Re's quarterly financial statements are calculated in the same way as for the consolidated financial statements as at 31 December 2009, i.e. a direct tax calculation is made per quarterly result of the individual consolidated companies.

Foreign currency translation

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

Currency translation rates	Balance sheet		Income statement			
Rate for €1	30.6.2010	31.12.2009	Q2 2010	Q1 2010	Q2 2009	Q1 2009
Australian dollar	1.45020	1.59530	1.44180	1.53014	1.79266	1.96394
Canadian dollar	1.30165	1.50410	1.30782	1.43929	1.58953	1.62405
Pound sterling	0.81875	0.88845	0.85292	0.88760	0.87939	0.90966
Rand	9.38985	10.56510	9.60159	10.38680	11.52100	12.96380
Swiss franc	1.32090	1.48315	1.40842	1.46288	1.51389	1.49659
US dollar	1.22490	1.43475	1.27292	1.38356	1.36218	1.30438
Yen	108.3910	133.5680	117.2940	125.5380	132.6520	122.1650

Segment reporting

Segment assets	Reinsurance				Primary insurance		
€m	Life		Property-casualty		Life		
	30.6. 2010	31.12. 2009	30.6. 2010	31.12. 2009	30.6. 2010	31.12. 2009	
A. Intangible assets	**186**	**182**	**2,213**	**1,955**	**1,183**	**1,206**	
B. Investments							
I. Land and buildings, including buildings on third-party land	**260**	**211**	**1,160**	**1,095**	**1,749**	**1,776**	
Thereof: Investment property held for sale	–	8	–	39	22	43	
II. Investments in affiliated companies and associates	**1,254**	**1,086**	**5,359**	**5,442**	**410**	**356**	
III. Loans	**374**	**357**	**1,579**	**1,760**	**32,204**	**31,334**	
IV. Other securities							
1. Held to maturity	–	–	–	–	69	83	
2. Available for sale	13,186	10,820	50,100	46,543	38,190	38,370	
3. At fair value through profit or loss	141	87	1,260	751	814	730	
	13,327	**10,907**	**51,360**	**47,294**	**39,073**	**39,183**	
V. Deposits retained on assumed reinsurance	**6,114**	**6,201**	**1,535**	**1,351**	**132**	**119**	
VI. Other investments	**162**	**160**	**732**	**977**	**1,457**	**633**	
	21,491	**18,922**	**61,725**	**57,919**	**75,025**	**73,401**	
C. Investments for the benefit of life insurance policyholders who bear the investment risk	**–**	**–**	**–**	**–**	**4,500**	**4,024**	
D. Ceded share of technical provisions	**1,079**	**397**	**2,919**	**2,603**	**2,851**	**2,833**	
E. Other segment assets	**5,701**	**4,788**	**10,451**	**10,033**	**9,567**	**9,123**	
Thereof: Owner-occupied property held for sale	–	3	–	9	–	–	
Total segment assets	**28,457**	**24,289**	**77,308**	**72,510**	**93,126**	**90,587**	

					Munich Health		Asset management		Consolidation		Total	
	Health		Property-casualty									
	30.6. 2010	31.12. 2009	30.6. 2010	31.12. 2009	30.6. 2010	31.12. 2009	30.6. 2010	31.12. 2009	30.6. 2010	31.12. 2009	30.6. 2010	31.12. 2009
	691	**696**	**920**	**1,008**	**134**	**138**	**14**	**13**	**-3**	**-3**	**5,338**	**5,195**
	629	635	347	309	18	15	50	46	-1	-1	4,212	4,086
	–	–	–	–	–	–	–	–	–	–	22	90
	315	321	4,064	4,025	49	34	83	66	-10,421	-10,329	1,113	1,001
	15,510	**14,765**	**2,423**	**2,347**	**27**	**25**	**–**	**–**	**-3,822**	**-3,966**	**48,295**	**46,622**
	–	–	1	1	–	–	–	–	–	–	70	84
	12,150	12,077	5,984	5,870	2,218	1,821	105	105	-1	-1	121,932	115,605
	80	33	12	5	21	7	–	–	–	–	2,328	1,613
	12,230	**12,110**	**5,997**	**5,876**	**2,239**	**1,828**	**105**	**105**	**-1**	**-1**	**124,330**	**117,302**
	5	**5**	**20**	**20**	**1,254**	**1,232**	**–**	**–**	**-2,131**	**-2,130**	**6,929**	**6,798**
	185	**69**	**629**	**509**	**26**	**14**	**428**	**265**	**-538**	**-287**	**3,081**	**2,340**
	28,874	**27,905**	**13,480**	**13,086**	**3,613**	**3,148**	**666**	**482**	**-16,914**	**-16,714**	**187,960**	**178,149**
	1	**1**	**–**	**–**	**1**	**1**	**–**	**–**	**–**	**–**	**4,502**	**4,026**
	1,085	**1,076**	**931**	**853**	**8**	**31**	**–**	**–**	**-2,873**	**-2,810**	**6,000**	**4,983**
	3,356	**3,277**	**4,200**	**4,056**	**1,880**	**1,522**	**165**	**89**	**-1,798**	**-1,829**	**33,522**	**31,059**
	–	–	–	–	–	1	–	–	–	–	–	13
	34,007	**32,955**	**19,531**	**19,003**	**5,636**	**4,840**	**845**	**584**	**-21,588**	**-21,356**	**237,322**	**223,412**

Segment reporting

Segment equity and liabilities	Reinsurance				Primary insurance	
€m	Life		Property-casualty		Life	
	30.6. 2010	31.12. 2009	30.6. 2010	31.12. 2009	30.6. 2010	31.12. 2009
A. Subordinated liabilities	**1,361**	**1,421**	**2,922**	**2,782**	**101**	**104**
B. Gross technical provisions						
I. Unearned premiums	66	113	5,755	4,955	1	1
II. Provision for future policy benefits	11,447	10,636	292	300	69,103	68,629
III. Provision for outstanding claims	4,438	3,830	39,767	35,756	1,454	1,475
IV. Other technical provisions	437	678	123	135	3,308	2,802
	16,388	15,257	45,937	41,146	73,866	72,907
C. Gross technical provisions for life insurance policies where the investment risk is borne by the policyholders	**-**	**-**	**-**	**-**	**4,765**	**4,115**
D. Other accrued liabilities	**162**	**136**	**599**	**630**	**516**	**486**
E. Other segment liabilities	**5,285**	**4,118**	**9,836**	**8,909**	**10,234**	**9,381**
Total segment liabilities	**23,196**	**20,932**	**59,294**	**53,467**	**89,482**	**86,993**

					Munich Health		Asset management		Consolidation		Total	
	Health		Property-casualty									
	30.6. 2010	31.12. 2009	30.6. 2010	31.12. 2009	30.6. 2010	31.12. 2009	30.6. 2010	31.12. 2009	30.6. 2010	31.12. 2009	30.6. 2010	31.12. 2009
	24	**24**	**369**	**371**	**188**	**147**	**–**	**–**	**-62**	**-59**	**4,903**	**4,790**
	142	**89**	**1,888**	**1,494**	**482**	**370**	**–**	**–**	**-114**	**-76**	**8,220**	**6,946**
	22,402	**21,365**	**425**	**394**	**1,560**	**1,500**	**–**	**–**	**-1,992**	**-1,962**	**103,237**	**100,862**
	948	**943**	**4,771**	**4,657**	**949**	**798**	**–**	**–**	**-628**	**-613**	**51,699**	**46,846**
	6,277	**6,307**	**170**	**151**	**219**	**234**	**–**	**–**	**-134**	**-161**	**10,400**	**10,146**
	29,769	28,704	7,254	6,696	3,210	2,902	–	–	-2,868	-2,812	173,556	164,800
	1	**1**	**–**	**–**	**1**	**1**	**–**	**–**	**–**	**–**	**4,767**	**4,117**
	258	**283**	**1,623**	**1,610**	**91**	**87**	**40**	**49**	**-99**	**-75**	**3,190**	**3,206**
	2,262	**2,227**	**5,904**	**5,992**	**1,187**	**1,190**	**667**	**399**	**-8,218**	**-7,995**	**27,157**	**24,221**
	32,314	**31,239**	**15,150**	**14,669**	**4,677**	**4,327**	**707**	**448**	**-11,247**	**-10,941**	**213,573**	**201,134**
Equity											**23,749**	**22,278**
Total equity and liabilities											**237,322**	**223,412**

Segment reporting

Segment income statement 1.1.–30.6.2010	Reinsurance				Primary insurance	
€m	Life		Property-casualty		Life	
	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009
Gross premiums written	**3,891**	**3,089**	**7,676**	**7,820**	**3,123**	**3,031**
Thereof:						
From insurance transactions with other segments	**66**	**166**	**196**	**179**	**–**	**–**
From insurance transactions with external third parties	**3,825**	**2,923**	**7,480**	**7,641**	**3,123**	**3,031**
1. Earned premiums						
Gross	3,955	3,098	7,427	7,385	3,123	3,032
Ceded	213	159	490	428	133	233
Net	**3,742**	**2,939**	**6,937**	**6,957**	**2,990**	**2,799**
2. Income from technical interest	**281**	**285**	**683**	**371**	**1,751**	**1,260**
3. Expenses for claims and benefits						
Gross	2,796	2,315	5,709	5,129	4,295	3,541
Ceded share	99	72	378	153	58	95
Net	**2,697**	**2,243**	**5,331**	**4,976**	**4,237**	**3,446**
4. Operating expenses						
Gross	1,151	917	2,211	1,957	571	539
Ceded share	78	52	117	87	27	99
Net	**1,073**	**865**	**2,094**	**1,870**	**544**	**440**
Thereof:						
Amortisation and impairment losses of acquired insurance portfolios	6	1	–	3	14	31
5. Technical result (1–4)	**253**	**116**	**195**	**482**	**-40**	**173**
6. Investment result						
Investment income	929	835	2,633	2,967	2,418	2,406
Investment expenses	402	331	1,003	1,509	385	1,284
Total	**527**	**504**	**1,630**	**1,458**	**2,033**	**1,122**
Thereof:						
Interest and similar income	361	384	892	873	1,470	1,484
Interest charges and similar expenses	8	12	44	44	13	31
Write-downs of investments	183	145	318	539	109	660
Write-ups of investments	118	160	459	444	320	167
Income from associates	3	-1	15	-5	6	-18
7. Other operating income	**42**	**31**	**158**	**129**	**209**	**250**
Thereof:						
Interest and similar income	12	5	27	22	2	6
Write-ups of other operating assets	1	–	3	–	–	–
8. Other operating expenses	**32**	**27**	**112**	**81**	**255**	**275**
Thereof:						
Interest charges and similar expenses	4	6	8	16	5	3
Write-downs of other operating assets	2	2	6	6	13	11
9. Deduction of income from technical interest	**-281**	**-285**	**-683**	**-371**	**-1,751**	**-1,260**
10. Non-technical result (6–9)	**256**	**223**	**993**	**1,135**	**236**	**-163**
11. Operating result	**509**	**339**	**1,188**	**1,617**	**196**	**10**
12. Other non-operating result, finance costs and impairment losses of goodwill	**-97**	**-26**	**-202**	**-132**	**-23**	**-77**
13. Taxes on income	**103**	**79**	**238**	**410**	**42**	**-10**
14. Consolidated result	**309**	**234**	**748**	**1,075**	**131**	**-57**
Thereof:						
Attributable to Munich Reinsurance Company equity holders	**309**	**234**	**750**	**1,075**	**130**	**-63**
Atrributable to minority interests	**–**	**–**	**-2**	**–**	**1**	**6**

Segment reporting

					Munich Health		Asset management		Consolidation		Total	
	Health		Property-casualty									
	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009
	2,760	**2,613**	**2,983**	**2,775**	**2,555**	**1,821**	**–**	**–**	**-375**	**-456**	**22,613**	**20,693**
	4	5	22	7	87	99	–	–	-375	-456	–	–
	2,756	2,608	2,961	2,768	2,468	1,722	–	–	–	–	22,613	20,693
	2,707	2,567	2,616	2,456	2,469	1,779	–	–	-339	-423	21,958	19,894
	112	103	255	238	16	27	–	–	-339	-423	880	765
	2,595	**2,464**	**2,361**	**2,218**	**2,453**	**1,752**	**–**	**–**	**–**	**–**	**21,078**	**19,129**
	687	**605**	**85**	**81**	**46**	**40**	**–**	**–**	**-45**	**-158**	**3,488**	**2,484**
	2,860	2,629	1,725	1,552	2,005	1,463	–	–	-272	-319	19,118	16,310
	79	80	178	137	9	1	–	–	-235	-242	566	296
	2,781	**2,549**	**1,547**	**1,415**	**1,996**	**1,462**	**–**	**–**	**-37**	**-77**	**18,552**	**16,014**
	349	367	840	780	489	302	–	–	-49	-118	5,562	4,744
	27	16	57	52	3	3	–	–	-84	-146	225	163
	322	**351**	**783**	**728**	**486**	**299**	**–**	**–**	**35**	**28**	**5,337**	**4,581**
	3	3	–	–	–	–	–	–	–	–	23	38
	179	**169**	**116**	**156**	**17**	**31**	**–**	**–**	**-43**	**-109**	**677**	**1,018**
	860	775	548	333	105	83	12	11	-275	-367	7,230	7,043
	237	234	144	167	16	20	–	5	-35	-62	2,152	3,488
	623	**541**	**404**	**166**	**89**	**63**	**12**	**6**	**-240**	**-305**	**5,078**	**3,555**
	585	544	181	174	61	76	3	4	-83	-169	3,470	3,370
	5	9	6	5	1	2	–	–	-2	-2	75	101
	33	56	32	77	5	7	–	4	–	–	680	1,488
	53	23	21	21	13	6	–	–	–	–	984	821
	-2	9	–	-18	8	–	3	4	–	–	33	-29
	63	**41**	**447**	**206**	**38**	**37**	**129**	**124**	**-739**	**-493**	**347**	**325**
	5	2	1	2	5	3	2	1	-3	-4	51	37
	–	–	–	–	–	–	–	–	–	–	4	–
	98	**54**	**531**	**273**	**38**	**35**	**92**	**101**	**-762**	**-541**	**396**	**305**
	22	5	49	61	3	6	5	4	-28	-45	68	56
	5	1	10	9	5	3	–	–	–	–	41	32
	-687	-605	-85	-81	-46	-40	–	–	45	158	-3,488	-2,484
	-99	**-77**	**235**	**18**	**43**	**25**	**49**	**29**	**-172**	**-99**	**1,541**	**1,091**
	80	**92**	**351**	**174**	**60**	**56**	**49**	**29**	**-215**	**-208**	**2,218**	**2,109**
	-31	-32	-195	-96	-38	-67	-4	-3	11	26	-579	-407
	–	52	43	28	6	-3	14	10	-1	2	445	568
	49	**8**	**113**	**50**	**16**	**-8**	**31**	**16**	**-203**	**-184**	**1,194**	**1,134**
	49	3	108	48	17	-5	31	16	-203	-190	1,191	1,118
	–	5	5	2	-1	-3	–	–	–	6	3	16

Segment reporting

Segment income statement 1.4.–30.6.2010	Reinsurance				Primary insurance	
€m	Life		Property-casualty		Life	
	Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009
Gross premiums written	**2,048**	**1,731**	**3,591**	**3,774**	**1,554**	**1,523**
Thereof:						
From insurance transactions with other segments	31	66	60	58	–	–
From insurance transactions with external third parties	2,017	1,665	3,531	3,716	1,554	1,523
1. Earned premiums						
Gross	2,117	1,738	3,845	3,836	1,556	1,524
Ceded	85	97	253	200	65	98
Net	**2,032**	**1,641**	**3,592**	**3,636**	**1,491**	**1,426**
2. Income from technical interest	**134**	**133**	**351**	**176**	**808**	**749**
3. Expenses for claims and benefits						
Gross	1,403	1,267	2,857	2,731	2,037	1,932
Ceded share	51	35	257	47	23	46
Net	**1,352**	**1,232**	**2,600**	**2,684**	**2,014**	**1,886**
4. Operating expenses						
Gross	683	514	1,204	940	277	260
Ceded share	15	35	55	27	14	34
Net	**668**	**479**	**1,149**	**913**	**263**	**226**
Thereof:						
Amortisation and impairment losses of acquired insurance portfolios	4	-1	–	3	7	11
5. Technical result (1–4)	**146**	**63**	**194**	**215**	**22**	**63**
6. Investment result						
Investment income	543	387	1,483	1,371	1,166	1,172
Investment expenses	290	118	514	553	187	441
Total	**253**	**269**	**969**	**818**	**979**	**731**
Thereof:						
Interest and similar income	169	167	447	468	730	768
Interest charges and similar expenses	4	3	24	25	7	16
Write-downs of investments	141	27	147	181	14	270
Write-ups of investments	71	102	361	208	243	73
Income from associates	–	–	1	1	6	1
7. Other operating income	**17**	**9**	**71**	**104**	**97**	**119**
Thereof:						
Interest and similar income	2	1	7	8	1	2
Write-ups of other operating assets	1	–	3	–	–	–
8. Other operating expenses	**16**	**15**	**57**	**55**	**118**	**129**
Thereof:						
Interest charges and similar expenses	2	3	5	7	3	2
Write-downs of other operating assets	1	1	4	3	9	2
9. Deduction of income from technical interest	-134	-133	-351	-176	-808	-749
10. Non-technical result (6–9)	**120**	**130**	**632**	**691**	**150**	**-28**
11. Operating result	**266**	**193**	**826**	**906**	**172**	**35**
12. Other non-operating result, finance costs and impairment losses of goodwill	-53	-34	-105	-163	-11	-31
13. Taxes on income	106	45	195	226	45	-10
14. Consolidated result	**107**	**114**	**526**	**517**	**116**	**14**
Thereof:						
Attributable to Munich Reinsurance Company equity holders	107	114	527	517	116	1
Atrributable to minority interests	–	–	-1	–	–	13

					Munich Health		Asset management		Consolidation		Total	
	Health		Property-casualty									
	Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009
	1,346	**1,275**	**1,252**	**1,153**	**1,303**	**1,052**	**–**	**–**	**-138**	**-182**	**10,956**	**10,326**
	4	3	9	3	34	52	–	–	-138	-182	–	–
	1,342	1,272	1,243	1,150	1,269	1,000	–	–	–	–	10,956	10,326
	1,362	1,291	1,335	1,244	1,286	1,074	–	–	-153	-199	11,348	10,508
	45	52	120	111	8	17	–	–	-153	-199	423	376
	1,317	**1,239**	**1,215**	**1,133**	**1,278**	**1,057**	**–**	**–**	**–**	**–**	**10,925**	**10,132**
	326	**314**	**42**	**37**	**22**	**20**	**–**	**–**	**-22**	**-95**	**1,661**	**1,334**
	1,423	1,330	852	793	1,033	854	–	–	-129	-135	9,476	8,772
	26	35	73	64	5	-4	–	–	-117	-110	318	113
	1,397	**1,295**	**779**	**729**	**1,028**	**858**	**–**	**–**	**-12**	**-25**	**9,158**	**8,659**
	171	168	421	383	252	194	–	–	-31	-51	2,977	2,408
	17	12	33	31	2	1	–	–	-48	-61	88	79
	154	**156**	**388**	**352**	**250**	**193**	**–**	**–**	**17**	**10**	**2,889**	**2,329**
	2	2	–	–	–	–	–	–	–	–	13	15
	92	**102**	**90**	**89**	**22**	**26**	**–**	**–**	**-27**	**-80**	**539**	**478**
	470	392	247	158	64	43	6	7	-123	-78	3,856	3,452
	167	122	91	56	8	4	–	4	-19	-34	1,238	1,264
	303	**270**	**156**	**102**	**56**	**39**	**6**	**3**	**-104**	**-44**	**2,618**	**2,188**
	301	280	94	88	31	38	1	2	-37	-73	1,736	1,738
	3	4	4	2	1	1	–	–	-1	-1	42	50
	15	25	23	18	2	2	–	4	–	–	342	527
	41	7	12	9	11	4	–	–	–	–	739	403
	–	1	1	11	8	–	3	4	–	–	19	18
	32	**18**	**226**	**104**	**21**	**26**	**69**	**65**	**-367**	**-240**	**166**	**205**
	5	1	–	1	1	1	1	1	-1	-2	16	13
	–	–	–	–	–	–	–	–	–	–	4	–
	55	**26**	**272**	**130**	**21**	**18**	**49**	**55**	**-374**	**-264**	**214**	**164**
	19	–	23	26	1	3	2	1	-13	-21	42	21
	2	–	4	5	3	1	–	–	–	–	23	12
	-326	-314	-42	-37	-22	-20	–	–	22	95	-1,661	-1,334
	-46	**-52**	**68**	**39**	**34**	**27**	**26**	**13**	**-75**	**75**	**909**	**895**
	46	**50**	**158**	**128**	**56**	**53**	**26**	**13**	**-102**	**-5**	**1,448**	**1,373**
	-24	-7	-155	-69	-23	-66	–	-1	4	7	-367	-364
	-10	38	23	18	6	-9	7	4	–	–	372	312
	32	**5**	**-20**	**41**	**27**	**-4**	**19**	**8**	**-98**	**2**	**709**	**697**
	32	2	-21	38	27	-2	19	8	-98	7	709	685
	–	3	1	3	–	-2	–	–	–	-5	–	12

Segment reporting

Non-current assets by country[1]	30.6.2010	31.12.2009
€m		
Germany	7,664	7,759
USA	2,269	1,987
Austria	467	471
UK	312	185
Singapore	255	219
Spain	230	235
Sweden	224	195
Netherlands	178	182
France	161	162
Portugal	113	118
Switzerland	110	71
Poland	104	102
Italy	79	80
Greece	55	56
Others	310	400
Total	**12,531**	**12,222**

[1] The non-current assets mainly comprise intangible assets (especially goodwill) and our owner-occupied and investment property.

Gross premiums written[1]	Reinsurance		Primary insurance		Munich Health		Total	
€m	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009
Europe	4,179	4,504	8,754	8,344	848	640	13,781	13,488
North America	4,653	4,060	–	–	1,309	895	5,962	4,955
Asia and Australasia	1,588	1,135	86	63	187	52	1,861	1,250
Africa, Near and Middle East	374	359	–	–	120	129	494	488
Latin America	511	506	–	–	4	6	515	512
Total	**11,305**	**10,564**	**8,840**	**8,407**	**2,468**	**1,722**	**22,613**	**20,693**

[1] After elimination of intra-Group reinsurance across segments.

Gross premiums written[1]	Reinsurance		Primary insurance		Munich Health		Total	
€m	Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009
Europe	1,841	1,945	4,095	3,915	396	319	6,332	6,179
North America	2,340	2,336	–	–	697	612	3,037	2,948
Asia and Australasia	918	620	44	30	103	27	1,065	677
Africa, Near and Middle East	176	209	–	–	71	39	247	248
Latin America	273	271	–	–	2	3	275	274
Total	**5,548**	**5,381**	**4,139**	**3,945**	**1,269**	**1,000**	**10,956**	**10,326**

[1] After elimination of intra-Group reinsurance across segments.

Notes to the consolidated balance sheet

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

Intangible assets		
€m	30.6.2010	31.12.2009
I. Goodwill	**3,602**	**3,477**
II. Other intangible assets	**1,736**	**1,718**
Thereof:		
Software	372	349
Purchased insurance portfolios	635	650
Other	729	719
Total	**5,338**	**5,195**

Owing to the current economic trend in local insurance activities, the goodwill resulting from the acquisition of our stake in ERGO SIGORTA A.S., Istanbul, was subjected to an impairment test. The goodwill of €109m has consequently been completely written off.

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

Number of shares in circulation and number of own shares held	30.6.2010	31.12.2009
Number of shares in circulation	185,366,784	191,910,177
Number of own shares held	3,101,687	5,491,447
Total	**188,468,471**	**197,401,624**

Minority interests		
€m	30.6.2010	31.12.2009
Unrealised gains and losses	15	12
Consolidated result	3	8
Other equity	227	209
Total	**245**	**229**

These are mainly minority interests in the ERGO Insurance Group.

Subordinated liabilities		
€m	30.6.2010	31.12.2009
Munich Reinsurance Company, Munich, 6.75% until 2013, thereafter floating, €2,900m Bonds 2003/2023 S&P rating: A	2,884	2,883
Munich Reinsurance Company, Munich, 7.625% until 2018, thereafter floating, £300m, Bonds 2003/2028 S&P rating: A	364	335
Munich Reinsurance Company, Munich, 5.767% until 2017, thereafter floating, €1,349m, Bonds 2007/perpetual S&P rating: A	1,553	1,475
Bank Austria Creditanstalt Versicherung AG, Vienna, 4.95%, €50m, Registered bonds 2004/2014 Rating: –	48	49
Bank Austria Creditanstalt Versicherung AG, Vienna, 6% until 2010, thereafter floating, €12m[1], Registered bonds 2001/perpetual Rating: –	9	9
Bank Austria Creditanstalt Versicherung AG, Vienna, secondary market yield on federal government bonds (Austria), +70 BP, €13m[2], Registered bonds 1998/perpetual Rating: –	9	9
HSB Group Inc., Delaware LIBOR +91 BP, US$ 76m, Bonds 1997/2027 Rating: –	36	30
Total	**4,903**	**4,790**

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

Bonds and notes issued		
€m	30.6.2010	31.12.2009
Munich Re America Corporation, Princeton, 7.45%, US$ 392m, senior notes 1996/2026[1] S&P rating: A–	320	276
Total	**320**	**276**

1 In the first quarter of 2010, the issuer bought back notes with a nominal value of US$ 5m.

Notes to the consolidated income statement

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

Premiums[1]	Reinsurance			
	Life		Property-casualty	
€m	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009
Gross premiums written	3,825	2,923	7,480	7,641
Change in gross unearned premiums	–64	–10	218	403
Gross earned premiums	**3,889**	**2,933**	**7,262**	**7,238**
Ceded premiums written	213	159	512	432
Change in unearned premiums				
Ceded share	–	–	22	4
Earned premiums ceded	**213**	**159**	**490**	**428**
Net earned premiums	**3,676**	**2,774**	**6,772**	**6,810**

[1] After elimination of intra-Group transactions across segments.

Premiums[1]	Reinsurance			
	Life		Property-casualty	
€m	Q2 2010	Q2 2009	Q2 2010	Q2 2009
Gross premiums written	2,017	1,665	3,531	3,716
Change in gross unearned premiums	–67	–7	–239	–45
Gross earned premiums	**2,084**	**1,672**	**3,770**	**3,761**
Ceded premiums written	85	97	232	177
Change in unearned premiums				
Ceded share	–	–	–22	–23
Earned premiums ceded	**85**	**97**	**254**	**200**
Net earned premiums	**1,999**	**1,575**	**3,516**	**3,561**

[1] After elimination of intra-Group transactions across segments.

Income from technical interest[1]	Reinsurance			
	Life		Property-casualty	
€m	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009
Income from technical interest	259	148	683	371

[1] After elimination of intra-Group transactions across segments.

Income from technical interest[1]	Reinsurance			
	Life		Property-casualty	
€m	Q2 2010	Q2 2009	Q2 2010	Q2 2009
Income from technical interest	123	49	351	176

[1] After elimination of intra-Group transactions across segments.

	Primary insurance						Munich Health		Total	
	Life		Health		Property-casualty					
	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009
	3,123	3,031	2,756	2,608	2,961	2,768	2,468	1,722	22,613	20,693
	–	–	52	45	364	317	85	44	655	799
	3,123	**3,031**	**2,704**	**2,563**	**2,597**	**2,451**	**2,383**	**1,678**	**21,958**	**19,894**
	63	62	10	7	104	90	13	14	915	764
	–	–	2	1	11	–6	–	–	35	–1
	63	**62**	**8**	**6**	**93**	**96**	**13**	**14**	**880**	**765**
	3,060	**2,969**	**2,696**	**2,557**	**2,504**	**2,355**	**2,370**	**1,664**	**21,078**	**19,129**

	Primary insurance						Munich Health		Total	
	Life		Health		Property-casualty					
	Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009
	1,554	1,523	1,342	1,272	1,243	1,150	1,269	1,000	10,956	10,326
	–1	–	–18	–17	–83	–91	16	–22	–392	–182
	1,555	**1,523**	**1,360**	**1,289**	**1,326**	**1,241**	**1,253**	**1,022**	**11,348**	**10,508**
	31	30	3	4	51	45	5	7	407	360
	–	–	–	–	7	7	–1	–	–16	–16
	31	**30**	**3**	**4**	**44**	**38**	**6**	**7**	**423**	**376**
	1,524	**1,493**	**1,357**	**1,285**	**1,282**	**1,203**	**1,247**	**1,015**	**10,925**	**10,132**

	Primary insurance						Munich Health		Total	
	Life		Health		Property-casualty					
	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009
	1,751	1,260	687	605	85	81	23	19	3,488	2,484

	Primary insurance						Munich Health		Total	
	Life		Health		Property-casualty					
	Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009
	808	749	326	314	42	37	11	9	1,661	1,334

Expenses for claims and benefits[1]	Reinsurance			
	Life		Property-casualty	
€m	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009
Gross				
Claims and benefits paid	**2,314**	**1,691**	**5,092**	**4,458**
Change in technical provisions				
Provision for future policy benefits	271	199	–8	–1
Provision for outstanding claims	174	252	470	560
Provision for premium refunds	–	–	8	–2
Other technical result	**–27**	**26**	**32**	**15**
Gross expenses for claims and benefits	**2,732**	**2,168**	**5,594**	**5,030**
Ceded share				
Claims and benefits paid	**26**	**44**	**372**	**334**
Change in technical provisions				
Provision for future policy benefits	–36	–3	–	–
Provision for outstanding claims	120	31	12	–168
Provision for premium refunds	–	–	–	–
Other technical result	**–11**	**–2**	**–6**	**–12**
Expenses for claims and benefits – Ceded share	**99**	**70**	**378**	**154**
Net				
Claims and benefits paid	**2,288**	**1,647**	**4,720**	**4,124**
Change in technical provisions				
Provision for future policy benefits	307	202	–8	–1
Provision for outstanding claims	54	221	458	728
Provision for premium refunds	–	–	8	–2
Other technical result	**–16**	**28**	**38**	**27**
Net expenses for claims and benefits	**2,633**	**2,098**	**5,216**	**4,876**

[1] After elimination of intra-Group transactions across segments.

Primary insurance						Munich Health		Total	
Life		Health		Property-casualty					
Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009
2,992	**3,233**	**1,872**	**1,788**	**1,577**	**1,398**	**1,800**	**1,283**	**15,647**	**13,851**
617	279	551	512	29	18	43	35	1,503	1,042
–21	18	3	25	85	111	79	46	790	1,012
628	–60	446	306	6	6	–3	–2	1,085	248
79	**93**	**–3**	**2**	**18**	**20**	**–6**	**1**	**93**	**157**
4,295	**3,563**	**2,869**	**2,633**	**1,715**	**1,553**	**1,913**	**1,363**	**19,118**	**16,310**
49	**43**	**3**	**1**	**50**	**45**	**28**	**–8**	**528**	**459**
6	22	–	–1	–	–	–	–	–30	18
–3	–1	2	1	10	3	–21	1	120	–133
1	1	–	–	–	–	–	–	1	1
–37	**–35**	**–**	**–**	**1**	**–**	**–**	**–**	**–53**	**–49**
16	**30**	**5**	**1**	**61**	**48**	**7**	**–7**	**566**	**296**
2,943	**3,190**	**1,869**	**1,787**	**1,527**	**1,353**	**1,772**	**1,291**	**15,119**	**13,392**
611	257	551	513	29	18	43	35	1,533	1,024
–18	19	1	24	75	108	100	45	670	1,145
627	–61	446	306	6	6	–3	–2	1,084	247
116	**128**	**–3**	**2**	**17**	**20**	**–6**	**1**	**146**	**206**
4,279	**3,533**	**2,864**	**2,632**	**1,654**	**1,505**	**1,906**	**1,370**	**18,552**	**16,014**

Expenses for claims and benefits[1]	Reinsurance			
	Life		Property-casualty	
€m	Q2 2010	Q2 2009	Q2 2010	Q2 2009
Gross				
Claims and benefits paid	**1,232**	**992**	**2,912**	**2,297**
Change in technical provisions				
Provision for future policy benefits	151	94	-11	-1
Provision for outstanding claims	45	97	-128	382
Provision for premium refunds	–	–	-2	–
Other technical result	**-54**	**14**	**15**	**10**
Gross expenses for claims and benefits	**1,374**	**1,197**	**2,786**	**2,688**
Ceded share				
Claims and benefits paid	**57**	**47**	**191**	**126**
Change in technical provisions				
Provision for future policy benefits	-30	-11	–	–
Provision for outstanding claims	29	-2	71	-73
Provision for premium refunds	–	–	–	–
Other technical result	**-6**	**–**	**-5**	**-16**
Expenses for claims and benefits – Ceded share	**50**	**34**	**257**	**37**
Net				
Claims and benefits paid	**1,175**	**945**	**2,721**	**2,171**
Change in technical provisions				
Provision for future policy benefits	181	105	-11	-1
Provision for outstanding claims	16	99	-199	455
Provision for premium refunds	–	–	-2	–
Other technical result	**-48**	**14**	**20**	**26**
Net expenses for claims and benefits	**1,324**	**1,163**	**2,529**	**2,651**

[1] After elimination of intra-Group transactions across segments.

	Primary insurance						Munich Health		Total	
	Life		Health		Property-casualty					
	Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009
	1,456	**1,602**	**884**	**822**	**788**	**676**	**941**	**772**	**8,213**	**7,161**
	147	222	263	245	15	9	20	18	585	587
	32	11	78	87	38	93	46	20	111	690
	362	69	208	178	3	2	-2	-1	569	248
	41	**48**	**-1**	**2**	**2**	**12**	**-5**	**–**	**-2**	**86**
	2,038	**1,952**	**1,432**	**1,334**	**846**	**792**	**1,000**	**809**	**9,476**	**8,772**
	22	**19**	**2**	**–**	**25**	**20**	**23**	**-13**	**320**	**199**
	-2	10	–	–	–	–	–	–	-32	-1
	1	1	2	1	-25	10	-19	1	59	-62
	1	1	–	–	–	–	–	–	1	1
	-19	**-18**	**–**	**–**	**–**	**-1**	**–**	**11**	**-30**	**-24**
	3	**13**	**4**	**1**	**–**	**29**	**4**	**-1**	**318**	**113**
	1,434	**1,583**	**882**	**822**	**763**	**656**	**918**	**785**	**7,893**	**6,962**
	149	212	263	245	15	9	20	18	617	588
	31	10	76	86	63	83	65	19	52	752
	361	68	208	178	3	2	-2	-1	568	247
	60	**66**	**-1**	**2**	**2**	**13**	**-5**	**-11**	**28**	**110**
	2,035	**1,939**	**1,428**	**1,333**	**846**	**763**	**996**	**810**	**9,158**	**8,659**

Operating expenses[1]	Reinsurance			
	Life		Property-casualty	
€m	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009
Acquisition costs	–119	9	261	134
Administration expenses	135	114	514	463
Amortisation and impairment losses of acquired insurance portfolios	6	1	–	3
Reinsurance commission and profit commission	1,115	705	1,395	1,313
Gross operating expenses	**1,137**	**829**	**2,170**	**1,913**
Ceded share of acquisition costs	–6	1	16	–9
Commission received on ceded business	86	52	102	97
Operating expenses – Ceded share	**80**	**53**	**118**	**88**
Net operating expenses	**1,057**	**776**	**2,052**	**1,825**

[1] After elimination of intra-Group transactions across segments.

Operating expenses[1]	Reinsurance			
	Life		Property-casualty	
€m	Q2 2010	Q2 2009	Q2 2010	Q2 2009
Acquisition costs	–116	–	220	113
Administration expenses	72	55	260	234
Amortisation and impairment losses of acquired insurance portfolios	4	–1	–	3
Reinsurance commission and profit commission	717	431	703	566
Gross operating expenses	**677**	**485**	**1,183**	**916**
Ceded share of acquisition costs	–6	–	9	–23
Commission received on ceded business	22	34	47	51
Operating expenses – Ceded share	**16**	**34**	**56**	**28**
Net operating expenses	**661**	**451**	**1,127**	**888**

[1] After elimination of intra-Group transactions across segments.

	Primary insurance						Munich Health		Total	
	Life		Health		Property-casualty					
	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009
	439	379	281	288	515	467	57	74	1,434	1,351
	125	131	81	84	322	312	67	62	1,244	1,166
	14	30	3	3	–	–	–	–	23	37
	–	9	2	6	3	2	346	155	2,861	2,190
	578	**549**	**367**	**381**	**840**	**781**	**470**	**291**	**5,562**	**4,744**
	1	–	–	–	1	–1	–	–	12	–9
	9	9	2	2	16	14	–2	–2	213	172
	10	**9**	**2**	**2**	**17**	**13**	**–2**	**–2**	**225**	**163**
	568	**540**	**365**	**379**	**823**	**768**	**472**	**293**	**5,337**	**4,581**

	Primary insurance						Munich Health		Total	
	Life		Health		Property-casualty					
	Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009
	210	189	139	131	268	234	25	50	746	717
	61	66	39	39	152	148	34	30	618	572
	7	10	2	2	–	–	–	–	13	14
	–	–	–1	4	2	–	179	104	1,600	1,105
	278	**265**	**179**	**176**	**422**	**382**	**238**	**184**	**2,977**	**2,408**
	1	1	–	–	–2	–2	–	–	2	–24
	4	5	–	1	14	13	–1	–1	86	103
	5	**6**	**–**	**1**	**12**	**11**	**–1**	**–1**	**88**	**79**
	273	**259**	**179**	**175**	**410**	**371**	**239**	**185**	**2,889**	**2,329**

Investment result by investment class and segment (before deduction of technical interest)[1]	Reinsurance				Primary insurance	
	Life		Property-casualty		Life	
€m	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009
Land and buildings, including buildings on third-party land	13	10	61	53	46	62
Investments in affiliated companies	–	–	4	-1	-2	-7
Investments in associates	3	-1	15	-5	6	-18
Loans	1	4	4	19	714	606
Other securities held to maturity	–	–	–	–	2	3
Other securities available for sale						
Fixed-interest	331	222	1,278	1,034	846	811
Non-fixed-interest	37	52	195	243	100	-171
Other securities at fair value through profit or loss						
Held for trading						
Fixed-interest	–	–	10	11	8	–
Non-fixed-interest	–	–	–	–	–	–
Derivatives	27	56	109	65	256	-204
Designated as at fair value through profit or loss						
Fixed-interest	–	–	–	–	8	10
Non-fixed-interest	–	–	–	–	-1	–
Deposits retained on assumed reinsurance and other investments	96	76	-18	-32	25	-6
Investments for the benefit of life insurance policyholders who bear the investment risk	–	–	–	–	91	129
Expenses for the management of investments, other expenses	16	16	79	83	68	76
Total	**492**	**403**	**1,579**	**1,304**	**2,031**	**1,139**

[1] After elimination of intra-Group transactions across segments.

					Munich Health		Asset management		Total	
	Health		Property-casualty							
	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009
	22	**18**	**13**	**13**	**1**	**1**	**1**	**3**	**157**	**160**
	–2	**–6**	**40**	**4**	**–**	**–**	**4**	**–**	**44**	**–10**
	–2	**9**	**–**	**–18**	**8**	**–**	**3**	**4**	**33**	**–29**
	318	**276**	**58**	**47**	**–**	**–**	**–**	**–**	**1,095**	**952**
	–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2**	**3**
	294	239	147	103	44	33	1	3	2,941	2,445
	39	16	33	–21	6	8	–	–4	410	123
	–	–	–	–	–	–	–	–	18	11
	–	–	–	–	–	–	–	–	–	–
	–29	6	3	10	10	–1	–	–	376	–68
	–	–	–	–	–	–	–	–	8	10
	–	–	–	–	–	–	–	–	–1	–
	2	**–1**	**–**	**4**	**–1**	**–**	**2**	**1**	**106**	**42**
	–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**91**	**129**
	19	**22**	**18**	**13**	**2**	**2**	**–**	**1**	**202**	**213**
	623	**535**	**276**	**129**	**66**	**39**	**11**	**6**	**5,078**	**3,555**

Investment result by investment class and segment (before deduction of technical interest)[1]	Reinsurance				Primary insurance	
	Life		Property-casualty		Life	
€m	Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009
Land and buildings, including buildings on third-party land	11	3	49	15	24	35
Investments in affiliated companies	–	–	1	–1	–1	–2
Investments in associates	–	–	1	1	6	1
Loans	–	2	2	12	359	313
Other securities held to maturity	–	–	–	–	1	1
Other securities available for sale						
Fixed-interest	142	143	537	772	390	459
Non-fixed-interest	26	46	139	230	27	57
Other securities at fair value through profit or loss						
Held for trading						
Fixed-interest	–	–	6	7	7	–4
Non-fixed-interest	–	–	–	–	–	–
Derivatives	27	38	249	–178	236	–240
Designated as at fair value through profit or loss						
Fixed-interest	–	–	–	–	1	8
Non-fixed-interest	–	–	–	–	–1	–
Deposits retained on assumed reinsurance and other investments	38	24	–5	–17	21	–4
Investments for the benefit of life insurance policyholders who bear the investment risk	–	–	–	–	–56	171
Expenses for the management of investments, other expenses	9	8	41	40	37	44
Total	**235**	**248**	**938**	**801**	**977**	**751**

[1] After elimination of intra-Group transactions across segments.

					Munich Health		Asset management		Total	
	Health		Property-casualty							
	Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009
	12	**8**	**7**	**6**	**1**	**1**	**–**	**2**	**104**	**70**
	–1	**–1**	**–**	**3**	**–**	**–**	**1**	**–**	**–**	**–1**
	–	**1**	**1**	**11**	**8**	**–**	**3**	**4**	**19**	**18**
	161	**144**	**33**	**24**	**–**	**–**	**–**	**–**	**555**	**495**
	–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1**	**1**
	138	122	60	59	21	20	–	1	1,288	1,576
	17	44	19	14	5	8	–	–4	233	395
	–	–	–	–	–	–	–	–	13	3
	–	–	–	–	–	–	–	–	–	–
	–13	–36	3	–17	12	–3	–	–	514	–436
	–	–	–	–	–	–	–	–	1	8
	–	–	–	–	–	–	–	–	–1	–
	–1	–3	–	–	–1	–	1	–	53	–
	–	–	–	–	–	–	–	–	–56	171
	10	13	7	6	2	1	–	–	106	112
	303	**266**	**116**	**94**	**44**	**25**	**5**	**3**	**2,618**	**2,188**

Investment income by segment (before deduction of technical interest)[1]	Reinsurance				Primary insurance	
	Life		Property-casualty		Life	
€m	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009
Regular income	**389**	**325**	**1,017**	**973**	**1,587**	**1,626**
Thereof:						
Income from interest	336	303	882	867	1,464	1,465
Income from write-ups	**234**	**160**	**343**	**444**	**320**	**167**
Gains on the disposal of investments	**268**	**247**	**1,210**	**1,379**	**331**	**448**
Other income	–	–	–	–	**166**	**145**
Total	**891**	**732**	**2,570**	**2,796**	**2,404**	**2,386**

[1] After elimination of intra-Group transactions across segments.

Investment income by segment (before deduction of technical interest)[1]	Reinsurance				Primary insurance	
	Life		Property-casualty		Life	
€m	Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009
Regular income	**190**	**154**	**530**	**530**	**807**	**860**
Thereof:						
Income from interest	157	137	443	464	732	761
Income from write-ups	**187**	**102**	**245**	**208**	**243**	**73**
Gains on the disposal of investments	**145**	**110**	**668**	**610**	**107**	**107**
Other income	–	–	–	–	**2**	**125**
Total	**522**	**366**	**1,443**	**1,348**	**1,159**	**1,165**

[1] After elimination of intra-Group transactions across segments.

					Munich Health		Asset management		Total	
	Health		Property-casualty							
	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009
	658	626	208	183	48	33	11	10	3,918	3,776
	580	535	168	166	37	31	3	3	3,470	3,370
	53	23	21	21	13	6	–	–	984	821
	144	116	189	90	20	20	–	1	2,162	2,301
	–	–	–	–	–	–	–	–	166	145
	855	**765**	**418**	**294**	**81**	**59**	**11**	**11**	**7,230**	**7,043**

					Munich Health		Asset management		Total	
	Health		Property-casualty							
	Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009
	359	343	116	118	29	15	5	7	2,036	2,027
	298	277	85	83	19	15	2	1	1,736	1,738
	41	7	12	9	11	4	–	–	739	403
	68	37	79	23	12	10	–	–	1,079	897
	–	–	–	–	–	–	–	–	2	125
	468	**387**	**207**	**150**	**52**	**29**	**5**	**7**	**3,856**	**3,452**

Investment expenses by segment (before deduction of technical interest)[1]	Reinsurance				Primary insurance		
	Life		Property-casualty		Life		
€m	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009	
Write-downs of investments	240	145	262	539	108	660	
Losses on the disposal of investments	135	159	605	820	108	462	
Management expenses, interest charges and other expenses	24	25	124	133	157	125	
Thereof: Interest charges	8	12	44	44	12	31	
Total	**399**	**329**	**991**	**1,492**	**373**	**1,247**	

[1] After elimination of intra-Group transactions across segments.

Investment expenses by segment (before deduction of technical interest)[1]	Reinsurance				Primary insurance		
	Life		Property-casualty		Life		
€m	Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009	
Write-downs of investments	198	27	91	181	13	270	
Losses on the disposal of investments	76	79	348	300	66	129	
Management expenses, interest charges and other expenses	13	12	66	66	103	15	
Thereof: Interest charges	4	3	24	25	7	16	
Total	**287**	**118**	**505**	**547**	**182**	**414**	

[1] After elimination of intra-Group transactions across segments.

Other operating result[1]	Reinsurance				Primary insurance		
	Life		Property-casualty		Life		
€m	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009	
Other operating income	38	23	147	125	41	53	
Other operating expenses	29	25	102	74	63	60	

[1] After elimination of intra-Group transactions across segments.

Other operating result[1]	Reinsurance				Primary insurance		
	Life		Property-casualty		Life		
€m	Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009	
Other operating income	17	4	65	104	19	24	
Other operating expenses	16	14	52	51	32	24	

[1] After elimination of intra-Group transactions across segments.

Health		Property-casualty		Munich Health		Asset management		Total	
Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009
33	56	32	77	5	7	–	4	680	1,488
173	140	87	70	7	11	–	–	1,115	1,662
26	34	23	18	3	2	–	1	357	338
5	9	5	4	1	1	–	–	75	101
232	**230**	**142**	**165**	**15**	**20**	**–**	**5**	**2,152**	**3,488**

Health		Property-casualty		Munich Health		Asset management		Total	
Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009
15	25	23	18	2	2	–	4	342	527
136	79	58	29	3	1	–	–	687	617
14	17	10	9	3	1	–	–	209	120
3	4	3	2	1	–	–	–	42	50
165	**121**	**91**	**56**	**8**	**4**	**–**	**4**	**1,238**	**1,264**

Health		Property-casualty		Munich Health		Asset management		Total	
Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009
22	23	36	37	35	33	28	31	347	325
48	24	99	68	34	30	21	24	396	305

Health		Property-casualty		Munich Health		Asset management		Total	
Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009
13	8	19	24	19	23	14	18	166	205
31	12	53	33	19	17	11	13	214	164

Other operating income mainly comprises income of €195m (149m) from services rendered, interest and similar income of €52m (38m), income of €47m (108m) from the release/reduction of miscellaneous provisions and adjustments of values for receivables, and income of €46m (18m) from owner-occupied property, some of which is also leased out. In addition to expenses of €142m (114m) for services rendered, other operating expenses chiefly include interest charges and similar expenses of €73m (61m), other write-downs of €26m (22m), and other tax of €17m (13m). They also contain expenses of €19m (10m) for owner-occupied property, some of which is also leased out.

Other non-operating result, impairment losses of goodwill and finance costs[1]	Reinsurance				Primary insurance	
	Life		Property-casualty		Life	
€m	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009
Other non-operating income	364	198	752	639	132	570
Other non-operating expenses	424	181	863	677	149	595
Impairment losses of goodwill	–	–	–	–	–	48
Finance costs	36	43	90	96	1	1

[1] After elimination of intra-Group transactions across segments.

Other non-operating result, impairment losses of goodwill and finance costs[1]	Reinsurance				Primary insurance	
	Life		Property-casualty		Life	
€m	Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009
Other non-operating income	198	97	426	241	77	194
Other non-operating expenses	232	110	484	358	83	224
Impairment losses of goodwill	–	–	–	–	–	–
Finance costs	18	21	47	46	–	–

[1] After elimination of intra-Group transactions across segments.

Other non-operating income is income unrelated to the conclusion, administration or settlement of insurance contracts or the administration of investments. Besides foreign currency exchange gains of €1,853m (1,834m), it contains other non-technical income of €78m (197m).

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 €2,047m (1,945m), they include write-downs of €50m (59m) on other intangible assets and other non-technical expenses of €159m (178m), such as expenses unrelated to the accounting period, project costs and other amounts that cannot be allocated elsewhere and restructuring expenses.

					Munich Health		Asset management		Total	
	Health		Property-casualty							
	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009	Q1–2 2010	Q1–2 2009
	367	412	137	154	176	53	3	5	1,931	2,031
	384	444	220	206	210	72	6	7	2,256	2,182
	–	–	109	10	–	40	–	–	109	98
	–	–	12	12	5	5	1	1	145	158

					Munich Health		Asset management		Total	
	Health		Property-casualty							
	Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009
	191	183	65	48	95	24	2	3	1,054	790
	201	189	118	107	116	46	2	4	1,236	1,038
	–	–	109	–	–	40	–	–	109	40
	–	–	7	6	3	2	1	1	76	76

Non-current assets held for sale

As from the financial year 2010, we are presenting disposal groups only if other assets or liabilities besides the non-current asset held for sale will actually be transferred to the respective acquirer. Assets or liabilities which are associated with the transferred asset but which will not be transferred are consequently not allocated to a disposal group. This concerns, for example, certain deferred tax items and provisions for deferred premium refunds.

In the fourth quarter of 2009, with economic effect from 1 January 2010, we sold one of our owner-occupied office properties. Its carrying amount of €13m is therefore no longer recognised at the reporting date. At the same time, we acquired an office property for own use at a price of €41m.

Also in the fourth quarter of 2009, with economic effect from 1 April 2010, we sold seven residential investment properties with a total carrying amount of €68m.

Besides this, in the fourth quarter of 2009, we decided to sell an investment office property with a carrying amount of €22m. A contract regarding the sale of this property was signed in April 2010, with economic effect from 1 July 2010.

On 12 April 2010, we sold part of our stake in Helvetia Holding AG, St. Gall. The market value of the shares sold was €119m, the gain on disposal €90m. This transaction reduced our shareholding in the company from around 8.2% to below 3%.

In July 2010, we decided to sell four items of property with a total carrying amount of €12m and classified this property as “held for sale” at the time our decision was taken.

How the non-current assets held for sale 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.

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

Number of staff

The number of staff employed by the Group as at 30 June 2010 totalled 24,648 (24,951) in Germany and 22,439 (22,298) in other countries.

Number of staff	30.6.2010	31.12.2009
Reinsurance	11,438	11,309
Primary insurance	30,839	31,145
Munich Health	4,036	4,007
Asset management	774	788
Total	**47,087**	**47,249**

Contingent liabilities, other financial commitments

In comparison with the situation at 31 December 2009, financial commitments of significance for the assessment of the Group's financial position show two main changes: an increase of €182m in investment commitments and an increase of €98m in commitments under work and service contracts. 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 by the weighted average number of shares.

Earnings per share		Q1–2 2010	Q2 2010	Q1–2 2009	Q2 2009
Consolidated result attributable to Munich Reinsurance Company equity holders	€m	1,191	709	1,118	685
Weighted average number of shares		188,122,248	186,464,227	195,216,749	195,087,851
Earnings per share	€	6.33	3.80	5.73	3.51

Events after the balance sheet date

The Annual General Meeting of ERGO Versicherungsgruppe AG on 12 May 2010 adopted a squeeze-out resolution transferring the 237,065 shares belonging to the minority shareholders of ERGO Versicherungsgruppe AG (0.31% of share capital) to the majority shareholder Munich Reinsurance Company against cash compensation of €97.72 per share. The cash compensation was paid to the minority shareholders after entry of the squeeze-out resolution in the commercial register on 5 July 2010.

Under the share buy-back programme decided on by Munich Reinsurance Company's Board of Management on 7 May 2010, we repurchased a further 0.9 million Munich Re shares with a volume of €93m after the balance sheet date up to the end of July 2010.

Drawn up and released for publication,
Munich, 3 August 2010

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 as well as the selected explanatory notes – together with the interim Group management report of Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München, for the period from 1 January 2010 to 30 June 2010, that are part of the half-year financial report according to Section 37 w WpHG (German Securities Trading Act). The preparation of the condensed interim consolidated financial statements in accordance with those IFRSs applicable to interim financial reporting as adopted by the EU, and of the interim Group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the 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 have 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 Institut der Wirtschaftsprüfer (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 IFRS 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, 4 August 2010
KPMG Bayerische Treuhandgesellschaft
Aktiengesellschaft Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

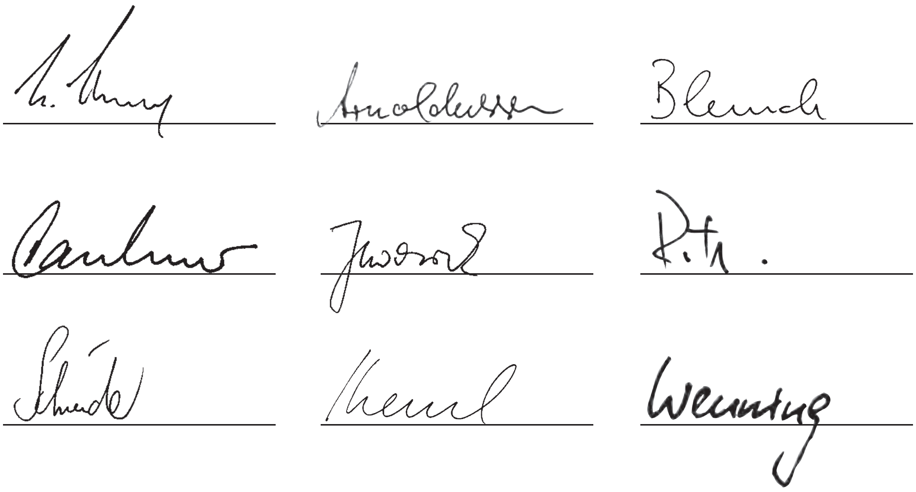
Klaus Becker
Wirtschaftsprüfer
(Certified public accountant)

Martin Berger
Wirtschaftsprüfer
(Certified public accountant)

Declaration of the Board of Management

"To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year."

Munich, 4 August 2010



Important dates 2010/2011

2010	
9 November 2010	Interim report as at 30 September 2010

2011	
10 March 2011	Balance sheet press conference for 2010 financial statements
20 April 2011	Annual General Meeting
21 April 2011	Dividend payment
9 May 2011	Interim report as at 31 March 2011
4 August 2011	Interim report as at 30 June 2011
4 August 2011	Half-year press conference
8 November 2011	Interim report as at 30 September 2011

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Responsible for content
Group Reporting

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