

**The Munich Re Group
Quarterly financial statements
at 30.6.2005**

Media conference

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Münchener Rück
Munich Re Group

4 August 2005



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Key figures Q1–2 2005	
Munich Re Group in total	7
Reinsurance segment	17
Primary insurance segment	20
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- Good profit of €870m despite burden from American Re reserve strengthening of €388m before tax or €750m after tax
- Result before amortisation of goodwill of €2,230m
- Gross premium income down by 1.5% to €19.4bn
- Combined ratios:
Reinsurance: 99.8%,
Thereof 5.3 percentage points for reserve charge for American Re incl. release of Group IBNR,
Primary insurance: 94.6%
- Very good investment result: €5.0bn
- Shareholders' equity strengthened by €1.3bn to €22.1bn



Active risk diversification:

- In-depth information was given during our Investors' Day on 27 June 2005

Focus on risk as our business:

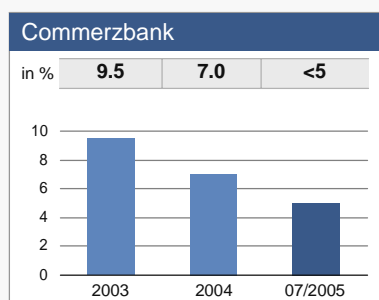
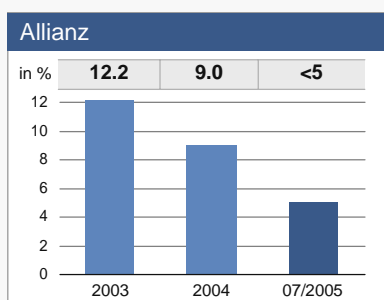
- Strict focus on profit before growth, risk-adequate prices and conditions

Excellent steering and control:

- We have put an end to the uncertainty in American Re's reserves

On the way to sustainable profitability

- Line drawn under American Re's past. Impact of reserve strengthening only partially felt at Group level due to general provision for long-tail losses
- ERGO: All key indicators satisfying, especially for earnings. Technical result again extremely good, with combined ratio of 91.3% (91.1%) for the P-C business of the first half-year
- Concentration risk in German financials reduced



Target stake
of < 5%
reached

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Impact on Munich Re Group of American Re reserve strengthening

Impact on American Re and Munich Re Group¹

in US\$m	
Reserve charge gross of corporate/net of specific retrocessions	1,671
Ceded through third-party corporate retrocessions	(42)
Net to Munich Re Group	1,629
Ceded to Munich Re	(203)
Net to American Re	1,426

in €m	
Net to Munich Re Group (converted into € at 1.25887 US\$/€)	1,294
Already provided for through Group IBNR reserve	(906)
Profit impact for Munich Re Group before tax	388
Taxes ²	362
Profit impact for Munich Re Group after tax	750

- Reserve charge of €1,294m is partially offset by the release of Group IBNR in the amount of €906m
- Release of IBNR triggers Group tax effect of €362m

¹ The figures above are net of statutory workers' comp. discount.

² Simplified calculation of tax expenses, as 40% of the release of the Group IBNR of €906m.

Income statement Overall good half-year result

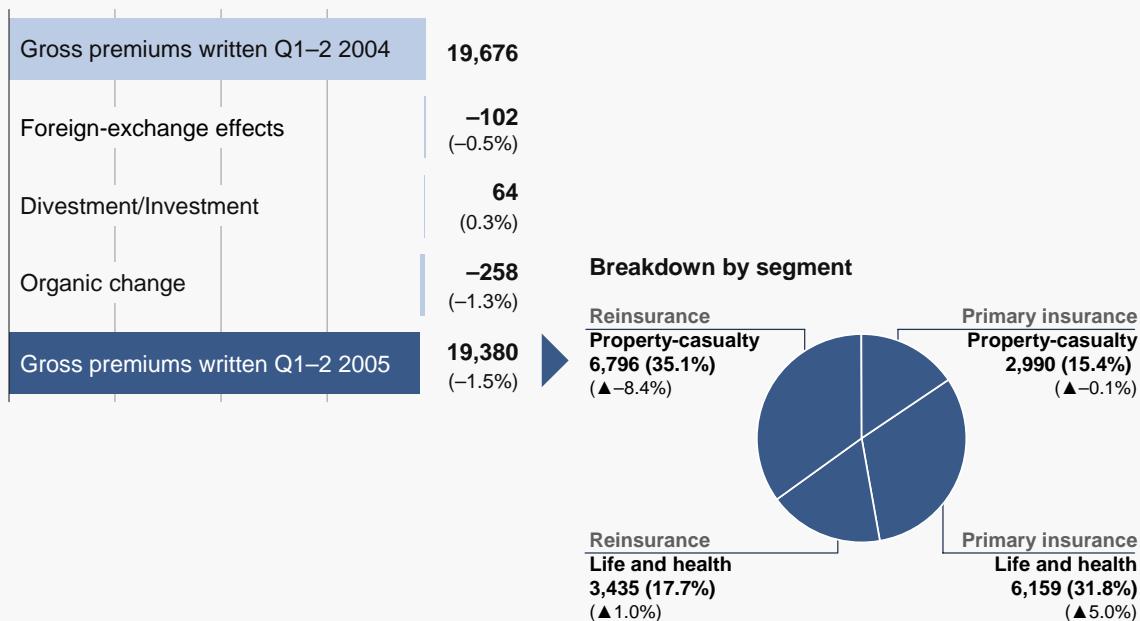
in €m	Q1-2 2005	Q1-2 2004	▲ in %	
Gross premiums written	19,380	19,676	-1.5	
Net earned premiums	17,870	18,161	-1.6	
Investment result	4,974	4,063	22.4	
Total income	23,638	22,807	3.6	
Total expenses	21,408	20,635	3.7	▶ Expenses 388
Result before amortisation of goodwill	2,230	2,172	2.7	▶ Result before amortisation of goodwill -388
Amortisation of goodwill	4	121	-96.7	
Operating result	2,226	2,051	8.5	▶ Operating result -388
Finance costs	204	219	-6.8	
Taxes on income	1,152	640	80.0	▶ Taxes 362
Group result	870	1,192	-27.0	▶ Result after tax -750
Thereof minority interests	30	30	-	
Earnings per share in €	3.68	5.08	-27.6	▶ Result per share in € -3.28

¹ Simplified calculation of tax expenses, as 40% of the release of the Group IBNR of €906m.

Analysis of premium development

Shifting of our portfolio towards life and health

in €m


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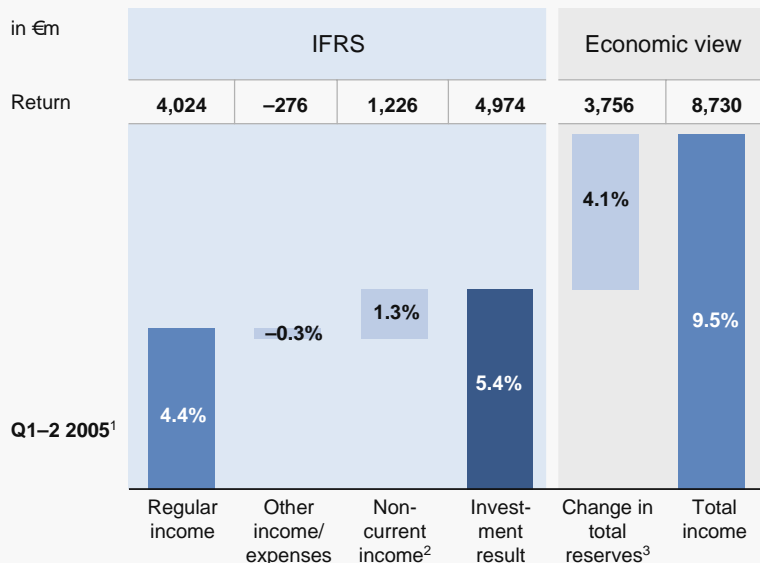
Strong development of investments and returns

- Equity-backing ratio within target corridor (13.3% after hedges)
- Allianz and HVB amount to just around 3% of total investments
- Positive market development for bonds and loans strengthening reserves
- Rating structure of bonds excellent (more than 95% A or better)
- Corporate bond ratio low (less than 5%)
- Writedowns on critical corporate bonds marginal
- Low currency risk of investments due to matching of assets and liabilities
- Excellent annualised RoI of 5.4%

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Return on investment Target clearly exceeded



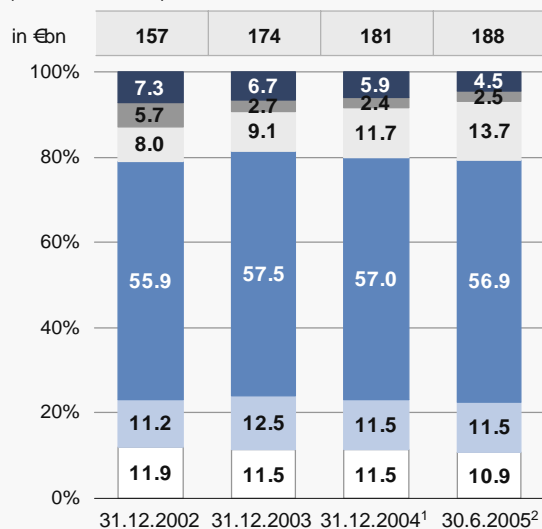
¹ Return on average investment market values in % (annualised).

² Non-current income includes gains/losses on the disposal of investments, writedowns and write-ups on investments.

³ On- and off-balance-sheet reserves; off-balance sheet reserves negatively distorted after reallocation of own properties to other assets.

Investments Well-balanced portfolio mix

Investment structure by asset classes (market values)



Equity exposure

in %

	30.6.2005	31.12.2004
Before hedges	14.0	13.9
After hedges	13.3	13.4

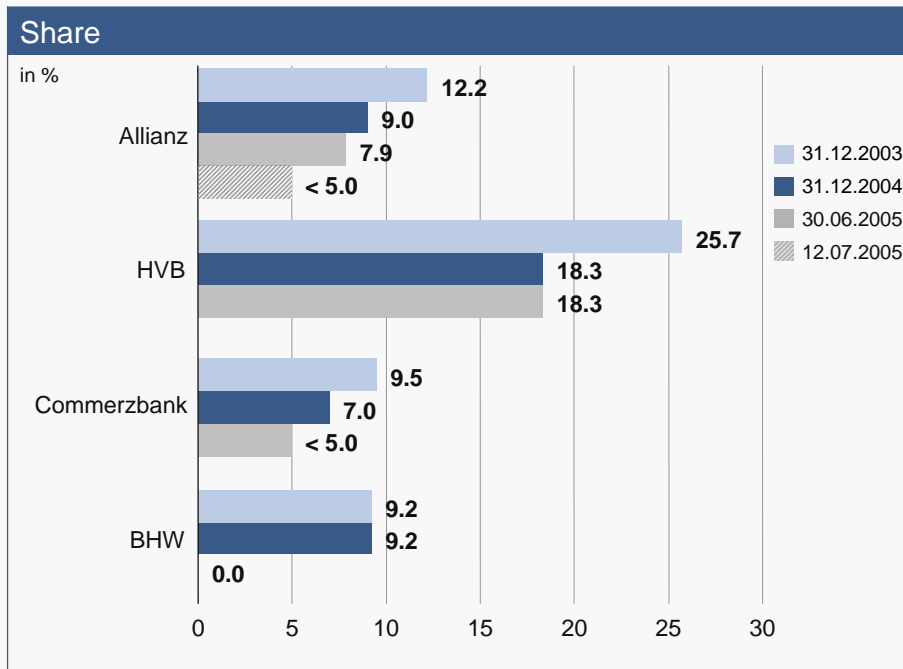
- Real estate
- Participating interests
- Loans
- Fixed-interest securities
- Shares and equity funds
- Miscellaneous

¹ After reallocation of own properties of Munich Reinsurance Company to other assets.

² After reallocation of own properties of Munich Reinsurance Group to other assets.

Active risk reduction

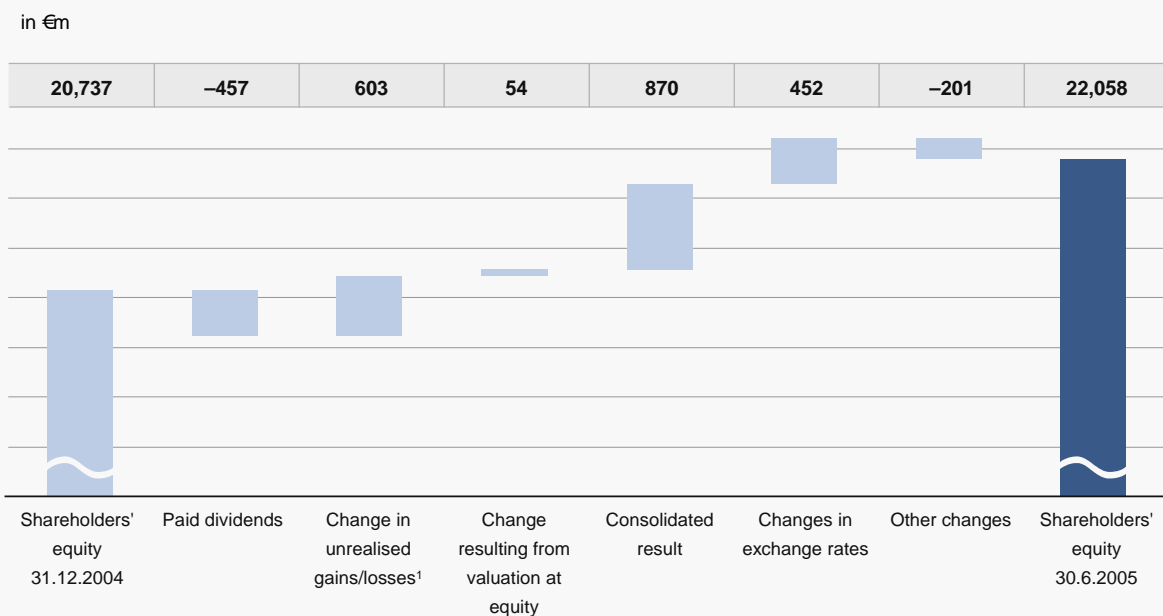
Concentration in German financials substantially reduced



¹ Date of sale to below 5%.

Shareholders' equity

Benefited from half-year result



¹ On other securities.

Segment results



in €m	Q1–2 2005	Q1–2 2004
Reinsurance	683	1,098
Primary insurance	320	97
Asset management	9	22
Consolidation	-142	-25
Group result	870	1,192
Thereof minority interests	30	30

Solid Group result considering

- pre-tax impact of €388m from reserve strengthening at American Re
- overall effect of €750m¹ after taxes from reserve strengthening

¹ Simplified calculation of tax expenses, as 40% of the release of the Group IBNR of €906m.

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Income statement

Operating result improved

in €m	Q1-2 2005	Q1-2 2004	▲ in %	
Gross premiums written	11,233	11,931	-5.9	
Net earned premiums	10,302	11,025	-6.6	
Investment result	2,179	1,705	27.8	
Total income	12,901	12,946	-0.3	
Total expenses	11,064	11,173	-1.0	▶ Expenses 388
Result before amortisation of goodwill	1,837	1,773	3.6	▶ Result before amortisation of goodwill -388
Amortisation of goodwill	-	46	-100.0	
Operating result	1,837	1,727	6.4	▶ Operating result -388
Finance costs	162	186	-12.9	
Taxes on income	992	443	123.9	▶ Taxes 362
Group result	683	1,098	-37.8	▶ Result after tax -750
Thereof minority interests	-	5	-100.0	

¹ Simplified calculation of tax expenses, as 40% of the release of the Group IBNR of €906m.

Combined ratio non-life

Considering reserve strengthening ... still convincing

in %	Q1-2 2005	Q1-2 2004	Q1-2 2003	
Loss ratio	71.0	67.6	69.7	
Expense ratio	28.8	27.9	26.2	
Combined ratio	99.8	95.5	95.9	
Thereof NatCat	2.1	-	1.2	
Thereof reserve charges for AmRe and release of Group IBNR	5.3	1.0	-	

Combined ratio influenced by

- AmRe reserve strengthening
- more major claims
- still attractive prices and conditions

in %	2005	2004	2003
Q1	96.5	96.3	96.8
Q2	103.0 ¹	94.7	94.9
Q3	-	105.8	99.3
Q4	-	99.3	95.8

¹ Thereof reserve charges for AmRe and release of Group IBNR 10.7%.

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Primary insurance segment

Income statement Profit more than tripled

in €m	Q1–2 2005	Q1–2 2004	▲ in %
Gross premiums written	9,160	8,870	3.3
Net earned premiums	7,568	7,136	6.1
Investment result	2,916	2,385	22.3
Total income	11,278	10,313	9.4
Total expenses	10,785	9,925	8.7
Result before amortisation of goodwill	493	388	27.1
Amortisation of goodwill	4	75	–94.7
Operating result	489	313	56.2
Finance costs	42	35	20.0
Tax on income	127	181	–29.8
Group result	320	97	229.9
Thereof minority interests	31	26	19.2

- Increase in premium income due to year-end rally in 2004
- Strong investment result due to improved result from disposal of investments
- Higher allocation of earnings to reserve for premium refunds (RfB)
- Excellent operating and group result

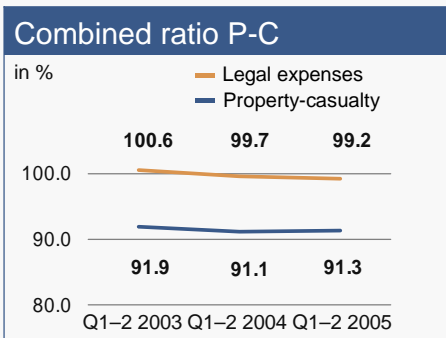
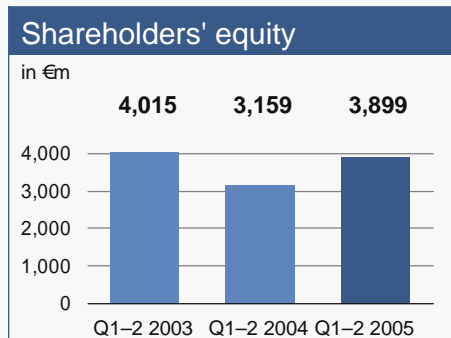
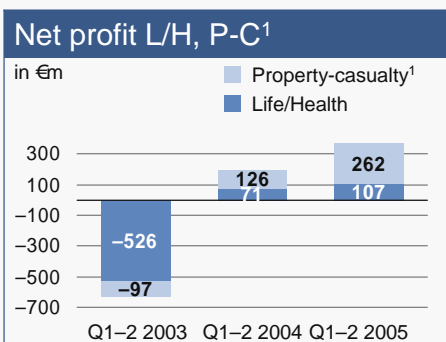
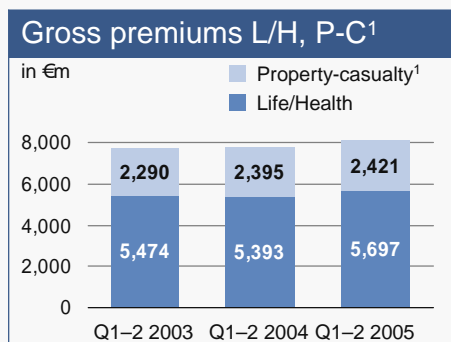
Combined ratio property-casualty Still excellent

in %	Q1-2 2005	Q1-2 2004	Q1-2 2003
Loss ratio ¹	59.3	59.2	61.5
Expense ratio ¹	35.3	34.2	35.8
Combined ratio in property-casualty ¹	94.6	93.4	97.3

¹ Including legal expenses insurance.

in %	2005	2004	2003
Q1	99.1	95.4	98.5
Q2	90.5	91.5	96.2
Q3	–	90.0	94.6
Q4	–	95.1	96.5

ERGO highlights



¹ Incl. legal expenses insurance.

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Summary and outlook

July 2005 renewals at a glance

- Approximately 10% (~€1bn) of the total non-life treaty business renews as of 1 July
- Renewed business stemming from the Americas (43% North America; 13 % Latin America) and Australia 18%; Global Clients contributes additional 26%
- Compared to last year's 01/07 renewal underwriting year premium decreases by 7.8%:
 - US/Australia: Strict adherence to pricing and underwriting guidelines leads to 15%-points decline from total outcome in underwriting year premium mainly driven by US business
 - Global Clients/Latin America: Selected growth opportunities partly balance out the overall outcome by adding 7%-points
- Cancelled business outside acceptable prices and conditions
- Impact partly offset by systematic exploitation of market opportunities
- Munich Re adhering to its disciplined underwriting approach

Pricing targets in renewed book achieved across all lines of business

Trends in primary insurance



Life insurance

- New business lower than last year's – sales picking up in Q2 – 2005 full-year figures expected to be down 15%
- Good growth in unit-linked business

Health insurance

- Discussion on structural changes of German health system to increase due to general elections on 18 September 2005
- Supplementary insurance continues to be growth sector

Property-casualty insurance

- New motor tariff introduced as at 1 July 2005 taking into account more individual risk characteristics – highly individual premium rates
- Technical results to remain favourable

Target for 2005 unchanged



- Impact of American Re reserving

Profit impact for Munich Re Group before tax	€388m
Profit impact for Munich Re Group after tax	€750m
= Approx. loss ratio for full business year 2005	2.7%-pts
- Target RoE¹ of 12% for 2005 maintained: Earnings target achievable due to
 - AmRe reserve charge mitigated by Group IBNR
 - Strong current operating results
 - Strong investment gains
- Dividend policy: Striving for pay-out ratio of at least 25%
- Future: Improved earnings quality due to
 - lower volatility after derisking of asset portfolio
 - no earnings drag from reserving

Improving future earnings potential

¹ Profit for the year ÷ average total shareholders' equity, both incl. minority interests.

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Backup: Reinsurance segment

Put an end to the uncertainty in American Re's reserves



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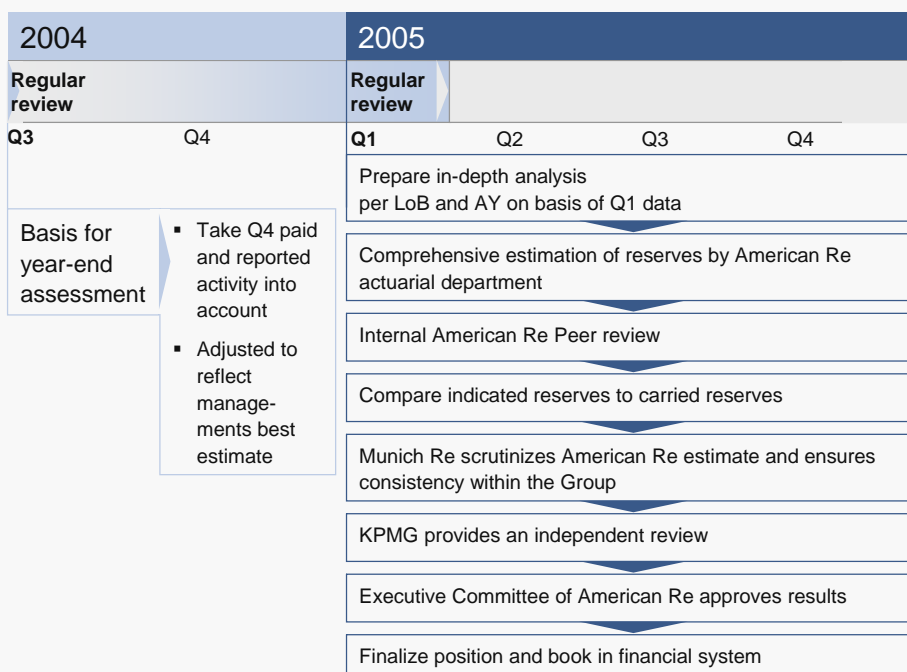
- American Re reserve strengthening by US\$ 1.6bn (€1.3bn), Group impact only €0.4bn before tax and €0.7bn after tax
- The effects of the reserve strengthening on our group result are limited due to early provision made through Group IBNR reserves
- Target RoE of 12% maintained
- Munich Re secures American Re's financial position with a well balanced package of supporting measures
- American Re is core for Munich Re

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Reserve Confidence

- Most ranges shifted higher due to re-evaluation of development patterns
- Selected ultimate losses lie higher in the range of actuarial projection
 - High end actuarial projection method for each accident year and line of business
 - Highest estimate between American Re and Munich Re projections
- The soft market years for US-Casualty, mainly 1997–2001, are now more mature
- Individual large exposures were considered regardless of actual reported experience
- Reserves for casualty business in accident years 2003 and 2004 have not been released even though all indications show favourable experience
- We re-analysed all latent segments resulting in over \$820 million and \$640 million of gross and net increases, respectively (in total for Q4 2004 and Q2 2005), mainly due to application of a new, more sophisticated methodology

The reserve review process



July 2005:
Munich Re decides to end uncertainties about American Re reserves

Components of reserve charge

American Re Corporation

Reserve review at 31 March 2005 – Change in ultimate loss and LAE

Gross of corporate retrocessions, net of specific retrocessions statutory accounting basis

in US\$m	Accident Year				
	1998 & prior	1999 – 2001	2002	2003 & 2004	2004 & prior
Traditional analyses					
Automobile liability	4	25	3	(9)	24
General liability	28	195	20	17	261
Professional liability	4	209	137	10	359
Property	11	(40)	1	(17)	(45)
Workers compensation	72	247	1	(2)	318
All other	29	37	16	(5)	78
Sub-total	148	674	179	(5)	996
Special liabilities					
Finite risk	26	43	4	7	81
Asbestos & environmental	259	0	0	0	259
Other latent	131	51	9	12	203
Natural catastrophes	0	0	0	65	65
All other special liabilities	20	26	45	(23)	67
Sub-total	436	120	58	61	675
Total all business	584	795	237	55	1,671

Notes: The figures above are net of \$280 million of statutory WC discount. "All Other" includes misc. lines of business, ULAE, and AAIC and PESLIC net retained business.

Reserve charges mainly for accident years 1999–2002 for traditional business

1998 and prior mainly driven by latent segments

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Impact on Munich Re Group
of American Re reserve strengtheningImpact on American Re and Munich Re Group¹

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Ceded through third-party corporate retrocessions	(42)
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¹ The figures above are net of statutory workers' comp. discount.

² Simplified calculation of tax expenses, as 40% of the release of the Group IBNR of €906m. See next slide.

Whole package of measures to draw a line – Fully self-financed by Munich Re

American Re	1. Reserve increase at American Re to a large extent mitigated by prior provision through Group IBNR	Increase comfort level
Munich Re	2. Strengthen American Re's capital base by around to \$1.1bn	Strengthen American Re's financial position
	3. Conversion of \$1.6bn loans into equity	
	4. Chances and risks of American Re's reserves written prior to 2002 to be transferred to highest Munich Re Group level (loss portfolio transfer as efficient capital management instrument)	
	5. Increased variable quota share between American Re and Munich Re	

American Re US-GAAP key figures Q1–2 2005

in US\$m	Q1–2 2005	Q1–2 2004	▲ in %	
Gross premiums written	1,806	2,066	-12.6	Effect from AmRe reserve strengthening:
Net earned premiums	825	766	7.7	
Investment result	276	402	-31.3	
Total income	1,102	1,176	-6.3	
Total expenses	2,385	845	182.2	Expenses 1,426
Operating result before taxes on income	-1,283	331	-	Operating result -1,426
Finance costs	30	30	-	
Taxes on income	43	114	-62.3	
Group result	-1,356	187	-	Group result -1,426
Combined ratio	263.7%	101.5%	162.2%-pts	Including capital increase at AmRe:
Thereof reserve strengthening	172.9%	12.1%	160.8%-pts	
in US\$m	30.6.2005	31.12.2004	▲ in %	Statutory surplus +1,107
Statutory surplus	3,095	3,386	-8.6	

ERGO – Income statement

Group total

in €m	Q1–2 2005	Q1–2 2004	▲ in %
Gross premiums written	8,107	7,775	4.3
Net earned premiums	6,966	6,530	6.7
Investment result	2,662	2,281	16.7
Total income	9,991	9,154	9.1
Total expenses	9,544	8,777	8.7
Result before amortisation of goodwill	447	377	18.6
Amortisation of goodwill	–	39	–100.0
Operating result	447	338	32.2
Finance costs	42	33	27.3
Taxes on income	140	181	–22.7
Group result	265	124	113.7
Thereof minority interests	7	17	–58.8
Earnings per share in €	3.43	1.42	141.5

Appendix

Disclaimer

This report contains forward-looking statements that are based on current assumptions and forecasts of the management of Munich Re. Known and unknown risks, uncertainties and other factors could lead to material differences between the forward-looking statements given here and the actual development, in particular the results, financial situation and performance of our company. The company assumes no liability to update these forward-looking statements or to conform them to future events or developments.