

**The Munich Re Group
Quarterly financial statements
at 30.9.2005**

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Münchener Rück
Munich Re Group

7 November 2005



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Key figures Q1–3 2005	
Munich Re Group in total	6
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- Quarterly profit of €513m
Profit Q1–3 2005 of €1,383m
Operating result Q1–3 2005 of €2,879m
- Gross premium income down by 1.1% to €28.6bn
- Losses from Atlantic windstorms in reinsurance:
€1.5bn before retrocession and €1.1bn after retrocession
- Combined ratios:
Reinsurance: 108.2%
Thereof: 12.6%-points for NatCat
3.5%-points for reserve charge at American Re
Primary insurance: 93.5%
- Very good investment result: €8.1bn
- Shareholders' equity strengthened by €1.9bn to €22.7bn

	Claims	Investments	Others
Q1–3 2005	<ul style="list-style-type: none"> ▪ Winterstorm Erwin (Jan) ▪ Windsor Tower Madrid (Feb) ▪ Hurricanes Dennis and Emily (July) ▪ Floods in A, CH, D (Aug) ▪ Hurricanes Katrina and Rita (Aug/Sept) 	<ul style="list-style-type: none"> ▪ Sale of MAN ▪ Sale of BHW ▪ Commerzbank stake reduced to < 5% ▪ Allianz stake reduced to < 5% 	<ul style="list-style-type: none"> ▪ Reserve strengthening at American Re to draw a line under the reserve uncertainties ▪ Except for the one-off items: Most business units with top performance, ERGO ahead of targets
Q4 2005	<ul style="list-style-type: none"> ▪ Hurricane Wilma (Oct) 	<ul style="list-style-type: none"> ▪ Exchange of HVB into UniCredit shares reduces the stake to 6.5–7% as of today 	<ul style="list-style-type: none"> ▪ Sale of Karlsruher leads to a more streamlined structure in primary insurance

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Munich Re Group in total

Income statement

Overall good nine-month result

in €m	Q1–3 2005	Q1–3 2004	▲ in %
Gross premiums written	28,625	28,932	–1.1
Net earned premiums	26,804	27,216	–1.5
Investment result	8,052	5,730	40.5
Total income	35,966	33,792	6.4
Total expenses	33,083	31,031	6.6
Result before amortisation of goodwill	2,883	2,761	4.4
Amortisation of goodwill	4	172	–97.7
Operating result	2,879	2,589	11.2
Finance costs	290	323	–10.2
Taxes on income	1,206	688	75.3
Group result	1,383	1,578	–12.4
Thereof minority interests	51	51	–
Earnings per share in €	5.83	6.68	–12.7

Effect of special
impacts in 2005:

▶ Income 563

▶ Expenses 1,497

▶ Result before
amortisation of
goodwill –934

▶ Operating
result –934

▶ Taxes 15

▶ Result after
tax –949

Special impacts on quarterly results

in €m	Reserve strengthening AmRe	Atlantic windstorms	Sale of 3% Allianz shares	Total
Period	Q2	Q3	Q3	
Investment result	–	–	563	563
Total income	–	–	563	563
Total expenses before retro	388	1,482	–	1,870
Total expenses after retro	388	1,109	–	1,497
Result before amortisation of goodwill	–388	–1,109	563	–934
Operating result	–388	–1,109	563	–934
Taxes on income	362 ¹	–358	11	15
Group result	–750	–751	552	–949

¹ Tax from release of Group IBNR.

Income statement

Q3 2005: A difficult quarter with positive results

in €m	Q3 2005	Q3 2004	▲ in %	
Gross premiums written	9,245	9,256	–0.1	
Net earned premiums	8,934	9,055	–1.3	
Investment result	3,078	1,667	84.6	
Total income	12,328	10,985	12.2	Income 563
Total expenses	11,675	10,396	12.3	Expenses 1,109
Result before amortisation of goodwill	653	589	10.9	Result before amortisation of goodwill –546
Amortisation of goodwill	–	51	–100.0	
Operating result	653	538	21.4	Operating result –546
Finance costs	86	104	–17.3	
Taxes on income	54	48	12.5	Taxes –347
Group result	513	386	32.9	Result after tax –199
Thereof minority interests	21	21	–	
Earnings per share in €	2.16	1.60	35.0	

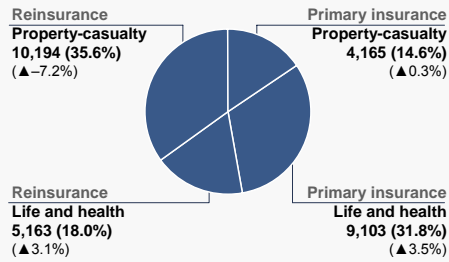
Analysis of premium development

Still excellent portfolio mix

in €m

Gross premiums written Q1–3 2004	28,932
Foreign-exchange effects	-40 (-0.1%)
Divestment/Investment	30 (0.1%)
Organic change	-297 (-1.1%)
Gross premiums written Q1–3 2005	28,625 (-1.1%)

Breakdown by segment


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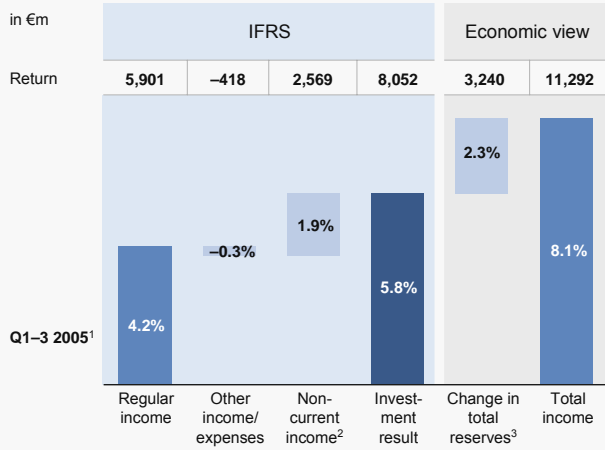
Strong development of investments and returns

- Excellent annualised return on investments (RoI) of 5.8%, strongly driven by realised gains
- Increased unrealised gains since beginning of the year due to positive market developments for bonds and equities
- Equity-backing ratio within target corridor (13.4% after hedges)
- Rating structure of bonds excellent (more than 95% A or better)
- Corporate bond ratio low (less than 5%)
- Low currency risk of investments due to matching of assets and liabilities

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Return on investment Target clearly exceeded



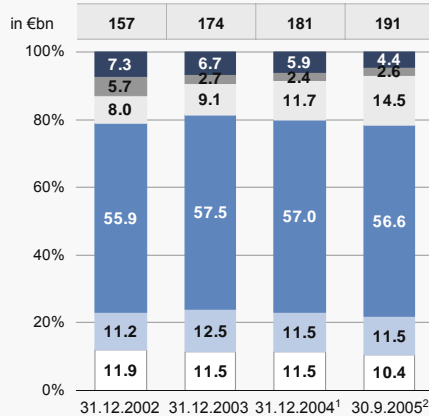
¹ Return on average investment market values in % (annualised).

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.

Investments Well-balanced portfolio mix

Investment structure by asset classes (market values)



Equity exposure

in %	30.9.2005	31.12.2004
Before hedges	14.1	13.9
After hedges	13.4	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.

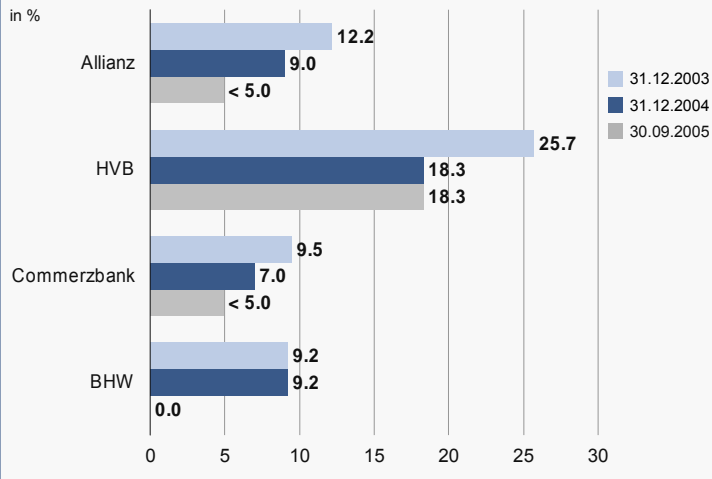
² After reallocation of own properties of Munich Reinsurance Group to other assets.

Active risk reduction

Concentration in German financials substantially reduced



Share



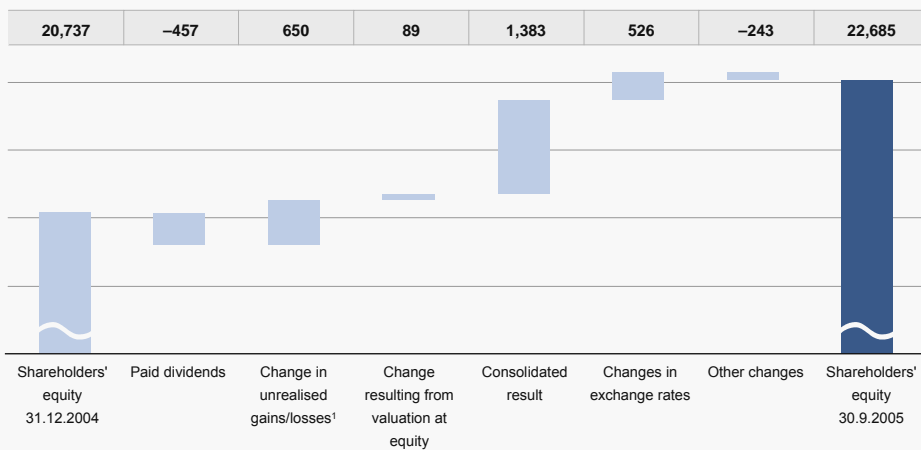
Exchange of HVB shares in Q4 will lead to a stake in UniCredit between 6.5% and 7% as of today

Shareholders' equity

Benefited from nine-month result



in €m



¹ On other securities.

Munich Re Group in total

Segment results
Diversification pays off



in €m	Q1–3 2005	Q1–3 2004	▲ in %
Reinsurance	1,027	1,392	–26.2
Thereof life and health	682	334	104.2
Thereof property-casualty	345	1,058	–67.4
Primary insurance	457	183	149.7
Thereof life and health	137	67	104.5
Thereof property-casualty	320	116	175.9
Asset management	19	29	–34.5
Consolidation	–120	–26	–361.5
Group result	1,383	1,578	–12.4
Thereof minority interests	51	51	–

- Strong result in reinsurance despite major impact from storms
- Very good result in primary insurance

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Reinsurance segment

Income statement Q1–3 2005
Operating result at a high level



in €m	Q1–3 2005	Q1–3 2004	▲ in %
Gross premiums written	16,739	17,478	–4.2
Net earned premiums	15,492	16,386	–5.5
Investment result	3,637	2,460	47.8
Total income	19,688	19,261	2.2
Total expenses	17,538	17,088	2.6
Result before amortisation of goodwill	2,150	2,173	–1.1
Amortisation of goodwill	–	71	–100.0
Operating result	2,150	2,102	2.3
Finance costs	227	274	–17.2
Taxes on income	896	436	105.5
Group result	1,027	1,392	–26.2
Thereof minority interests	–	5	–100.0

Effect of special impacts in 2005:

Income	563
Expenses	1,497
Result before amortisation of goodwill	–934
Operating result	–934
Taxes	15
Result after tax	–949

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Reinsurance segment

Income statement Q3 2005
Group result increased



in €m	Q3 2005	Q3 2004	▲ in %
Gross premiums written	5,506	5,547	–0.7
Net earned premiums	5,190	5,361	–3.2
Investment result	1,458	755	93.1
Total income	6,787	6,315	7.5
Total expenses	6,474	5,915	9.5
Result before amortisation of goodwill	313	400	–21.8
Amortisation of goodwill	–	25	–100.0
Operating result	313	375	–16.5
Finance costs	65	88	–26.1
Taxes on income	–96	–7	<–1,000.0
Group result	344	294	17.0
Thereof minority interests	–	–	–

Impact in 2005 of Atlantic hurricanes and sale of Allianz share:

Income	563
Expenses	1,109
Result before amortisation of goodwill	–546
Operating result	–546
Taxes	–347
Result after tax	–199

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Reinsurance segment

**Combined ratio non-life
Influenced by extraordinary hurricane season**



in %	Q1–3 2005	Q1–3 2004	Q1–3 2003
Loss ratio	79.8	70.8	70.9
Expense ratio	28.4	28.0	26.1
Combined ratio	108.2	98.8	97.0
Thereof NatCat	12.6	4.6	1.4
Thereof reserve charges for AmRe and release of Group IBNR	3.5	–	–

Combined ratio in Q1–Q3 2005 influenced by:

- Atlantic windstorms with 10.0%-points (prev. year 4.4%-points)

in %	2005	2004	2003
Q1	96.5	96.3	96.8
Q2	103.0 ¹	94.7	94.9
Q3	124.6 ²	105.8	99.3
Q4	–	99.3	95.8

¹ Thereof reserve charges for AmRe and release of Group IBNR 10.7%.
² Thereof 32.9% NatCat.

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Primary insurance segment

Income statement
Profit more than doubled



in €m	Q1–3 2005	Q1–3 2004	▲ in %
Gross premiums written	13,285	12,965	2.5
Net earned premiums	11,312	10,830	4.5
Investment result	4,514	3,302	36.7
Total income	17,043	15,192	12.2
Total expenses	16,252	14,627	11.1
Result before amortisation of goodwill	791	565	40.0
Amortisation of goodwill	4	101	–96.0
Operating result	787	464	69.6
Finance costs	64	52	23.1
Tax on income	266	229	16.2
Group result	457	183	149.7
Thereof minority of interests	54	48	12.5

- 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

Primary insurance segment

Combined ratio property-casualty
Still excellent



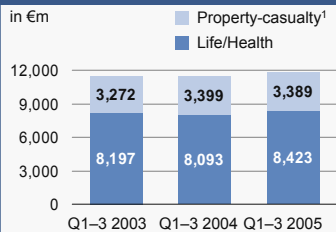
in %	Q1–3 2005	Q1–3 2004	Q1–3 2003
Loss ratio ¹	59.4	58.7	61.0
Expense ratio ¹	34.1	33.5	35.3
Combined ratio in property-casualty ¹	93.5	92.2	96.3

¹ Including legal expenses insurance.

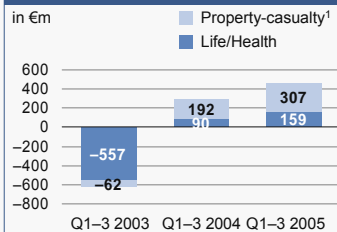
in %	2005	2004	2003
Q1	99.1	95.4	98.5
Q2	90.5	91.5	96.2
Q3	91.4	90.0	94.6
Q4	–	95.1	96.5

ERGO highlights

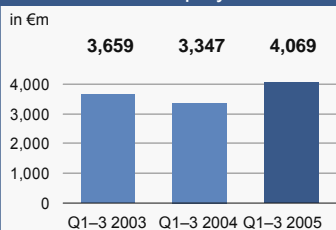
Gross premiums L/H, P-C¹



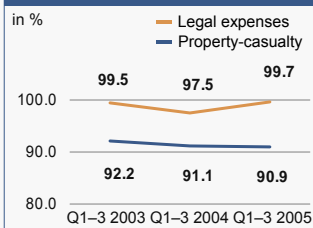
Net profit L/H, P-C¹



Shareholders' equity



Combined ratio P-C



¹ Incl. legal expenses insurance.

Trends in primary insurance

Life insurance

- New business lower than last year's – Reduction for the year as a whole (2005) an estimated 15% (due to strong increase in new business in Q4 2004)
- Good sustained growth with unit-linked products; increased demand for pension products qualifying for subsidisation
- Most recent judgements by German Federal Constitution Court (BVerfG) and the German Federal Supreme Court (BGH) strengthen transparency and consumer protection – ERGO is working out solutions in conformity with this aim.

Health insurance

- Supplementary insurance continues to be a growth sector – demand and awareness of making provision for shortfalls under the statutory healthcare scheme on the increase

Property-casualty insurance

- New motor tariffs introduced on 1 July 2005 taking into account more individual risk characteristics lead to highly individualised premium rates
- Technical result continues favourable development

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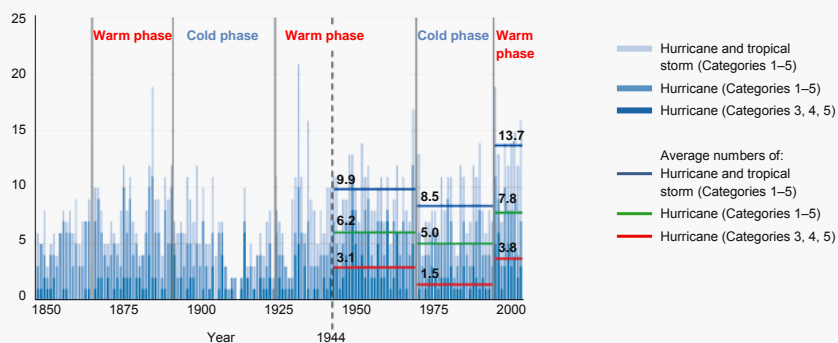
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Summary and outlook

Substantial increase observable in the frequency and intensity of Atlantic windstorms during warm phases

Number and intensity of Atlantic windstorms



Warm temperatures in the Atlantic lead to higher frequency, especially of severe storms

Munich Re's internal modelling includes recent meteorological findings

- In-house specialists with access to international expert networks
- Internally developed models provide for independence from majority opinions
- Ongoing adjustment of frequency and intensity assumptions in the natural hazard models
- Insurance and reinsurance conditions have a regulating influence on loss potential
- Capital allocation in accordance with current risk situation
- Risk-adequate premium as a minimum requirement in negotiations with clients

Risk-adequate prices will also be our core topic
in the forthcoming renewal season

Global reinsurance market environment prior to 1 Jan 2006 renewals – Hurricane season as turning point

- Katrina expected to be largest NatCat loss ever
- Worldwide event, as capacity of global reinsurance industry affected
- Strongest impact on business segments directly affected by losses (esp. property cat and offshore energy)
- Influence on reinsurance demand likely (e.g. with potential impact on recent trend of increasing retentions)
- Recent market entries underline attractiveness of reinsurance market

Examples from the past:

- Andrew and WTC (2nd and 3rd largest loss events) had a clear impact on global non-life market cycle with significant price increases
- In the US, large loss events (Hurricane Andrew, Northridge earthquake, WTC) led to an increase in reinsurance demand

Very large losses in 2005 significantly affect
reinsurance markets in the run-up to major renewals

Global reinsurance market environment prior to 1 Jan 2006 renewals – Structural issues continue to play a role

- Continuous re-assessment of risks (e.g. due to increasing hurricane activity) is an ongoing need and affects reinsurance demand and supply
- Even without any change in NatCat risk awareness, the worldwide increase in the size and complexity of risks leads to growing demand for reinsurance
- Effective reinsurance supply is not only a question of available capital
 - Know-how as a scarce resource
 - Client accessibility adds to economic value
- Economic and capital-market environment (low interest rates, limited prospects for investment income) favour sound underwriting

Achieving risk-adequate prices, terms and conditions remains key success factor for the reinsurance industry

Target for 2005 unchanged

- Target RoE¹ of 12% for 2005 maintained:
Earnings target achievable due to:
 - Strong current operating results
 - AmRe reserve charge mitigated by Group IBNR
 - NatCat losses mitigated by retrocession
 - Strong investment gains due to high realised gains from sale of Allianz and exchange of HVB into UniCredit shares
- 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

Sustainable earnings potential

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

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Backup: Munich Re Group in total

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.

Backup: Reinsurance segment

American Re
US GAAP key figures Q1–3 2005



in US\$ m	Q1–3 2005	Q1–3 2004	▲ in %
Gross premiums written	2,885	3,232	-10.7
Net earned premiums	1,033	1,276	-19.0
Investment result	467	562	-16.9
Total income	1,501	1,852	-19.0
Total expenses	2,716	1,544	75.9
Operating result before taxes on income	-1,215	308	-
Finance costs	45	45	-
Taxes on income	85	69	23.2
Group result	-1,345	194	-
Combined ratio	234.9%	111.3%	123.6 pts
Thereof reserve strengthening	138.1%	15.3%	122.8 pts

Effect from reserve strengthening:

Expenses 1,426

Operating result -1,426

Group result -1,426

in US\$ m	30.9.2005	31.12.2004	▲ in %
Statutory surplus	3,175	3,386	-6.2

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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.

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