

Munich Re Group

Quarterly financial statements at 30.6.2006

Media conference

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3 August 2006



Münchener Rück
Munich Re Group



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Financial reporting Q1–2 2006		
Munich Re Group in total		5
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Introduction		
1st half-year 2006		
Successful development maintained – Munich Re confident		
Excellent half-year result of €2.1bn		
Reinsurance		
Reinsurance: Successful renewals at 1 July – Still attractive market environment		
Primary insurance		
Big profit increase at ERGO – Our diversification pays off		
"Profitability before growth" continues to guide us – Selective utilisation of growth opportunities		

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Excellent result

Gross premiums written		Combined ratio reinsurance		Combined ratio primary insurance	
in €m		in %		in %	
Q1–2 2005	19,380	Q1–2 2005	99.8	Q1–2 2005 ¹	94.5
Q1–2 2006	19,063	Q1–2 2006	92.2	Q1–2 2006	92.0
Slight decrease due to disposals (e.g. Karlsruher)		Further improved		Extraordinary Q2 with 87.2%	
Investment result		Equity		Group result	
in €m		in €bn		in €m	
Q1–2 2005	4,974	31.12.2005 ¹	24.4	Q1–2 2005 ¹	876
Q1–2 2006	4,757	30.06.2006	23.4	Q1–2 2006	2,129
RoI again at 5.4%		Solid position despite interest-rate increase and dividend payment		Big step towards target	

¹ Adjusted due to first-time application of IAS 19 (rev. 2004).

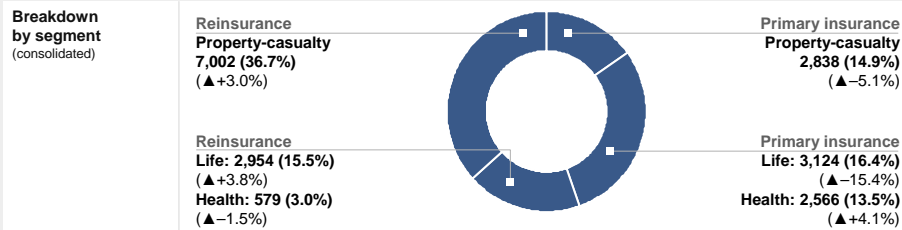
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Premium development
Slight decrease due to divestments

in €m

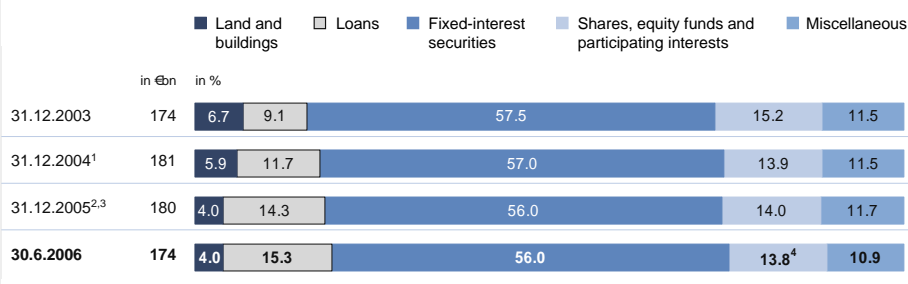
Gross premiums written Q1–2 2005	19,380	
Foreign-exchange effects	322 (1.7%)	
Divestment/ Investment	-592 (-3.1%)	
Organic change	-47 (-0.2%)	
Gross premiums written Q1–2 2006	19,063 (-1.6%)	



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Investments
Well-balanced portfolio mix

Investment structure by asset classes (market values)



¹ After reallocation of owner-occupied properties of Munich Reinsurance Company to other assets.

² After reallocation of owner-occupied properties of Munich Reinsurance Group to other assets.

³ Decrease of assets of €13.2bn (market values) due to sale of Karlsruhe in Q4 2005.

⁴ After hedges: 30.6.2006 12.7%.

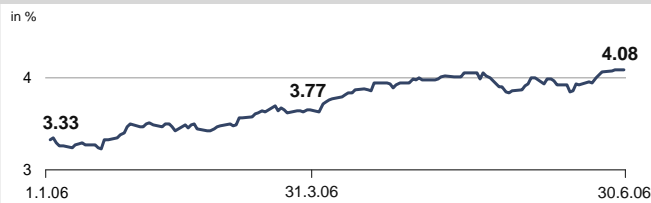
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Return on investment

Strong result – Decline in reserves due to higher interest rates

in €m	Return	Q1–2 2006 ¹
Regular income	4,127	4.7%
Other income/expenses	-348	-0.4%
Gains/losses on the disposal of investments	1,778	2.0%
Write-downs/write-ups of investments	-800	-0.9%
Investment result	4,757	5.4%

Interest-rate development (yield on ten-year German government bonds)



Including valuation reserves:

- Change in total reserves²: -6,295 (-7.1%)
- Total income: -1,538 (-1.7%)

¹ Return on quarterly weighted investments (market values) in %.
² On- and off-balance-sheet reserves.

Development of Equity










Interest-rate effect largely neutralised through result

in €m		
Equity 31.12.2005 ¹	24,397	
Consolidated result	2,129	
Changes		
Unrealised gains/losses ²	-1,895	
Exchange rates	-449	
Dividend	-707	
Other	-119	
Equity 30.6.2006	23,356	

¹ Adjusted due to first time application of IAS 19 (rev. 2004).
² On other securities.

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Financial reporting Q1–2 2006 – Reinsurance segment			
Income statement			
Firmly on track for profitability			
Gross premiums written		Investment result	
in €m		in €m	
Q1–2 2005	11,233 	Q1–2 2005	2,179 
Q1–2 2006	11,333 	Q1–2 2006	2,353 
Currency effects lead to slight premium increase		Strong with high impact from capital gains	
Combined ratio		Group result	
in %		in €m	
Q1–2 2005	99.8 	Q1–2 2005 ¹	685 
Q1–2 2006	92.2 	Q1–2 2006	1,756 
Excellent – Not only due to low NatCat claims		Strong performance as a result of consequent underwriting policy	

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¹ Adjusted due to first-time application of IAS 19 (rev. 2004).

Premium development

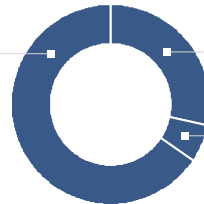
Currency effects translate into slight premium increase

in €m

Gross premiums written Q1–2 2005	11,233	
Foreign-exchange effects	334 (3.0%)	
Organic change	-234 (-2.1%)	
Gross premiums written Q1–2 2006	11,333 (0.9%)	

Breakdown by segments:
(segmental, not consolidated)

Property-casualty
7,434 (65.6%)
(▲+1.5%)



Life
3,204 (28.3%)
(▲+0.5%)

Health
695 (6.1%)
(▲-3.5%)

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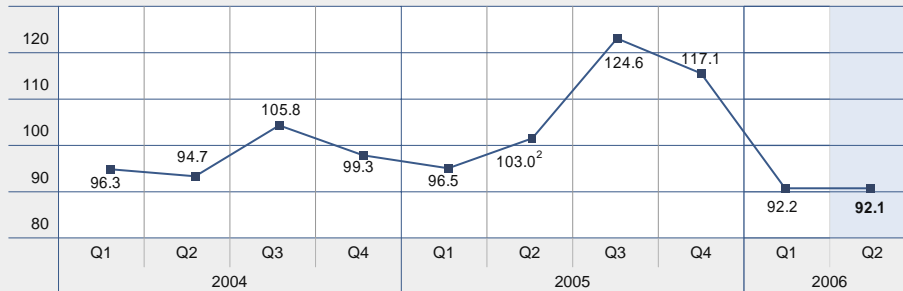
Combined ratio – Non-life

Best combined ratio in recent years

in %

	Loss ratio	Thereof NatCat	Expense ratio
2005 ¹	110.5	82.0	17.7
Q1–2 2005	99.8	71.0	2.1
Q1–2 2006	92.2	65.4	0.9

in %



¹ Thereof reserve strengthening American Re and release of Group IBNR 2.6%.

² Thereof reserve strengthening American Re and release of Group IBNR 10.7%.

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Financial reporting Q1–2 2006 – Primary insurance segment		Münchener Rück Munich Re Group	
Income statement			
Strong performance – Driven by technical and investment result			
Gross premiums written		Investment result	
in €m		in €m	
Q1–2 2005	9,160	Q1–2 2005	2,916
Q1–2 2006	8,538	Q1–2 2006	2,504
Decrease due to sale of Karlsruher and NHL		High gains from equity disposals Write-down of hedging instruments	
Combined ratio		Group result	
in %		in €m	
Q1–2 2005 ¹	94.5	Q1–2 2005 ¹	324
Q1–2 2006	92.0	Q1–2 2006	448
Loss and expense ratio again down Very strong in Q2		Strong result exceeds high expectations	

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¹ Adjusted due to first-time application of IAS 19 (rev. 2004).

Financial reporting Q1-2 2006 – Primary insurance segment



Premium development

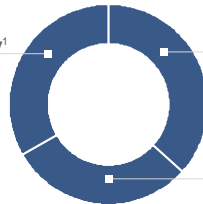
Disposals reduce premium volume in life and P-C

in €m

Gross premiums written Q1-2 2005	9,160	
Foreign-exchange effects	9 (0.1%)	
Divestment/Investment	-732 (-8.0%)	
Organic change	101 (1.1%)	
Gross premiums written Q1-2 2006	8,538 (-6.8%)	

Breakdown by segment:
(segmental, not consolidated)

Property-casualty¹
2,847 (33.3%)
(▲-5.1%)



Life
3,124 (36.6%)
(▲-15.4%)

Health
2,567 (30.1%)
(▲+4.1%)

Gross premiums written adjusted for divestments

- Property-casualty ▲+3.8%
- Life ▲-3.0%

¹ Incl. legal expenses.

Financial reporting Q1-2 2006 – Primary insurance segment



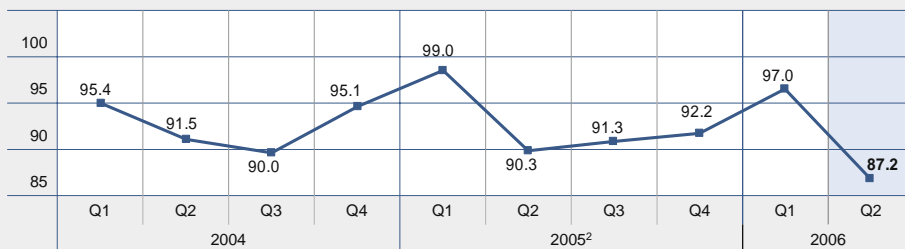
Combined ratio – Property-casualty

Well-balanced portfolio mix pays off: under 90% in Q2

in %

		Loss ratio ¹	Expense ratio ¹
2005	93.1	58.4	34.7
Q1-2 2005 ²	94.5	59.3	35.2
Q1-2 2006	92.0	56.8	35.2

in %




¹ Incl. legal expenses.

² Adjusted due to first-time application of IAS 19 (rev. 2004).

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German health reform – Positioning of ERGO

Main features of planned health reform 2006

Increasing demand for private supplementary health insurance







Positive aspects for private health insurance

- No inclusion of privately insured persons in health fund
- No increase in earnings ceiling for compulsory statutory health insurance
- No inclusion of private insurance in the risk structure compensation scheme

Conclusions and outlook

- Demographic development in statutory health insurance not addressed
- Further reductions of the benefit level in statutory health insurance inevitable
- ▶ **Further increase in demand for private supplementary health insurance**

Increasing relevance of supplementary insurance for ERGO

<p>Gross written premiums 2005</p> <p style="font-size: small;">in €m</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">Supplementary insurance 890 (21%)</td> <td style="width: 10%; text-align: center;"></td> <td style="width: 40%;">Comprehensive health insurance 3,316 (79%)</td> </tr> </table>	Supplementary insurance 890 (21%)		Comprehensive health insurance 3,316 (79%)	<p>New business in 2005</p> <p style="font-size: small;">in €m</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">Supplementary insurance 107 (38%)</td> <td style="width: 10%; text-align: center;"></td> <td style="width: 40%;">Comprehensive health insurance 174 (62%)</td> </tr> </table>	Supplementary insurance 107 (38%)		Comprehensive health insurance 174 (62%)
Supplementary insurance 890 (21%)		Comprehensive health insurance 3,316 (79%)					
Supplementary insurance 107 (38%)		Comprehensive health insurance 174 (62%)					

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ERGO

Market leadership in supplementary insurance

Supplementary insurance¹

Market shares in Germany

in %		
1. ERGO	21.0	 GWP: €390m
2. Allianz	11.6	
3. Signal	9.0	
4. Debeka	7.4	
5. Central	6.1	
Other 40 companies	44.9	
Market volume		€4.2bn

Growth factors in marketing

- Cooperation with statutory health insurers
- Cooperation with Zurich, Gerling, HVB et.al.
- Advertising to specific target groups, direct marketing including call centre (KarstadtQuelle Versicherungen)
- Creation and utilisation of new cross- and up-selling potentials
- Tapping of new marketing channels (e.g. affinity channels)

¹ Other independent partial insurance plus hospital cash plan insurance.
Sources: German GAAP (HGB), Annual Reports 2005. Market volume: Private Health Insurance Association (preliminary figure).

Agenda

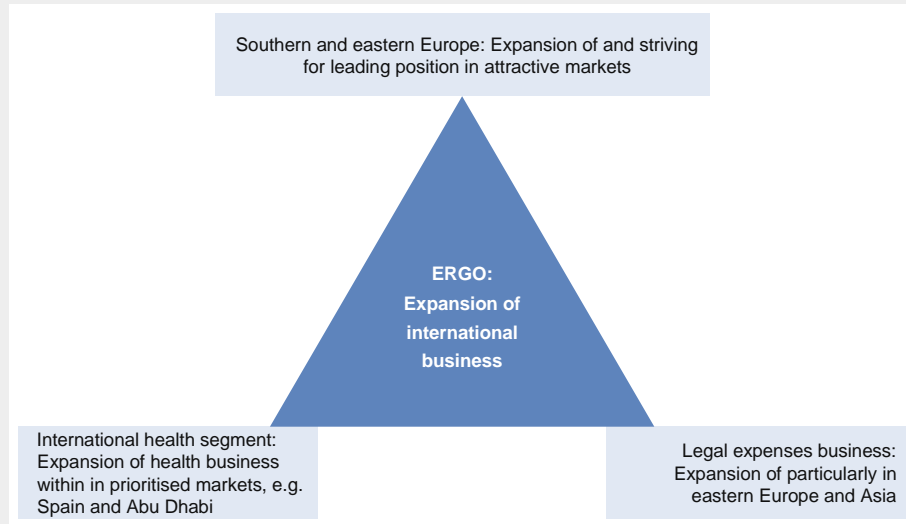
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ERGO International: Acquisition of Isviçre



Primary insurance

Strategy for foreign markets



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ERGO International: Acquisition of Isviçre



Acquisition of Isviçre

Entry into the growth market of Turkey

Turkish market	Isviçre's main data
<p>Economic stabilisation and high growth prospects</p> <ul style="list-style-type: none"> ▪ Moving closer to EU ▪ Second-largest emerging market in Europe with 73 million people and high population growth ▪ Forecast real economic growth > 5% p.a. by 2015 ▪ Recent currency and stock-market weakness seen as market correction <p>High growth potential of the insurance market</p> <ul style="list-style-type: none"> ▪ Nominal market growth of approx. 18% in 2005 ▪ Forecast real growth of 10% p.a. in the insurance market by 2015 	<p>Market position</p> <ul style="list-style-type: none"> ▪ Number 5 in Turkish P-C market, focus on motor ▪ Private clients and small/medium-sized firms ▪ Around 1.3 million clients <p>Key figures for 2005</p> <ul style="list-style-type: none"> ▪ Premiums: €287m (P-C: €250m, L&H: €37m) ▪ Profit before tax: €7m ▪ Consolidated group equity: €47m <p>Distribution</p> <ul style="list-style-type: none"> ▪ In P-C, 2,700 full- and part-time agents ▪ In L&H, 400 agents and 160 marketing employees
<p>▶ Emerging market with high potential for ERGO</p>	<p>▶ ERGO strengthens Isviçre's competitive position through knowledge transfer</p>

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Reinsurance – July renewals		Münchener Rück Munich Re Group												
<p>July renewals – affecting 8% of P-C treaty business</p> <p>Portfolio further enhanced</p>		Munich Re Group – Quarterly financial statements at 30.6.2006 – 3 August 2006												
Strategic goals	Split of renewed portfolio by regions													
<ul style="list-style-type: none"> ▪ Provide unchanged NatCat capacity with further improved risk-reward profile ▪ Seize hard market environment to position Munich Re ▪ Profitability as overriding criterion in assuming risks 	<table border="1"> <tr> <td>Global Clients</td> <td style="text-align: right;">18%</td> <td>North America</td> <td style="text-align: right;">42%</td> </tr> <tr> <td>Europe</td> <td style="text-align: right;">10%</td> <td>Latin America</td> <td style="text-align: right;">15%</td> </tr> <tr> <td>Asia Pacific</td> <td style="text-align: right;">15%</td> <td></td> <td></td> </tr> </table>		Global Clients	18%	North America	42%	Europe	10%	Latin America	15%	Asia Pacific	15%		
Global Clients	18%		North America	42%										
Europe	10%		Latin America	15%										
Asia Pacific	15%													
Renewal results														
Property (48% of renewed portfolio)	Casualty (44% of renewed portfolio)													
<ul style="list-style-type: none"> ▪ Reinsurance markets harder than insurance markets Further shift of portfolio from pro rata to XL ▪ Especially for US NatCat exposure, further price increases, not just compared with last year but also compared with January 2006 ▪ Consequences for portfolio: <ul style="list-style-type: none"> ▪ Exposure to minor and frequent events is reduced ▪ Exposure to very large loss events is comparable with previous year's 	<ul style="list-style-type: none"> ▪ Slight pressure on prices ▪ Prices still at risk-adequate level 													
	Marine (4% of renewed portfolio)													
	<ul style="list-style-type: none"> ▪ Energy: Higher prices and enhanced terms and conditions ▪ Gulf-of-Mexico exposure reduced through promotion of second-event covers 													
<p>Increase in profitability achieved</p>														

Reinsurance – July renewals

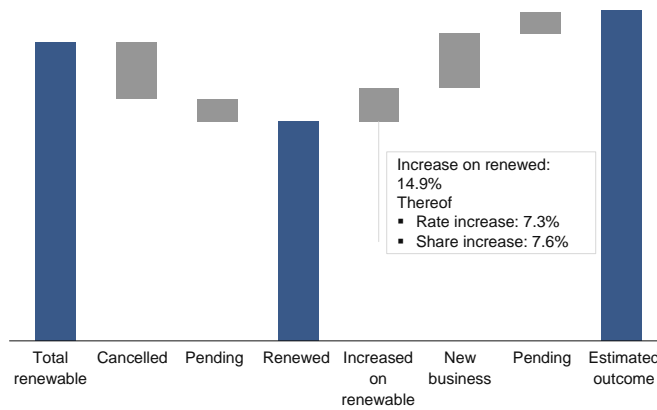


July renewals

Successful outcome

Changes in premium total P-C treaty

in €m	897	168	67	662	99	164	67	992
in %	100	-18.7	-7.5	73.8	11.0	18.3	7.5	110.6



▪ Current market still differentiated between business exposed to Atlantic storm and others

Rate increase is combined effect on premium from changes in price level and changes in exposure

Share increase is volume change in the renewed portfolio as a consequence of changes in share

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Summary



Munich Re Group well positioned in dynamic environment

- Successful renewal in reinsurance at July 1st supports high level of profit potential
- German health reform not only brings challenges but also many opportunities for European market leader DKV
- Selective growth strategy of ERGO abroad: First successful step with acquisition in Turkey

Excellent first half-year 2006 results

- Disciplined underwriting policy and operational excellence are bearing fruit
- Current development increases confidence level in reaching profit target: Well on track to 15% RoRaC goal for 2006

▶ Determined to explore selective growth opportunities for entire Munich Re Group, while continuing strict bottom-line orientation

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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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