

1/2003

Munich Re Group
Quarterly Report



Münchener Rück
Munich Re Group

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Key figures for the Munich Re Group

		Q1 2003	Q1 2002	Change in %
Gross premiums written	€m	10,826	10,741	0.8
Result before amortisation of goodwill	€m	123	4,881	-97.5
Minority interests in earnings	€m	-20	11	-
Net income	€m	-238	4,481	-
Earnings per share	€	-1.33	25.35	-

		31.3.2003	31.12.2002	Change in %
Investments	€m	153,356	156,278	-1.9
Shareholders' equity	€m	12,525	13,948	-10.2
Net underwriting provisions	€m	142,933	142,966	0.0
Staff		41,687	41,396	0.7
Share price	€	52.50	114.00	-53.9

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To our shareholders

Dear Shareholders,

In this interim report we wish to inform you about the business performance of the Munich Re Group in the first three months of the business year 2003, and our expectations for the current reporting year.

The first months of the year were characterised by the uncertain outcome of the escalating Iraq crisis. On 20 March, the US and its coalition partners went to war against Iraq. In the months leading up to the hostilities, the political controversies surrounding the use of military force and the fear of its unforeseeable consequences had already taken their toll on the global economy. Against this background, the stock markets, which had not yet recovered from the low share price level recorded at the end of last year, were extremely volatile. They hit a particularly low point at the quarterly reporting date but rallied by the end of May to return to the year-end level. Mainly as a consequence of the weak stock markets in 2002, this volatility led to losses on disposals and writedowns on securities that impacted our investment result with a total of €2,297m in the first quarter of 2003, despite the fact that we had significantly reduced the proportion of equities in our portfolio to only 18% of total investments at the beginning of the year.

Given the poor state of the stock markets and their temporary reluctance to invest in German financial services companies, Munich Re shares also came under severe pressure.

Nevertheless, in early April we were able to place two subordinated bonds with a total volume of about €3.4bn. Investor demand exceeded the volume of the bonds by more than 100%. The interest rates applied in pricing were therefore even lower than the initial spreads indicated. The press and the capital markets rated the successful placement of the largest-ever individual issue worldwide as a clear expression of confidence in the Munich Re Group. This strengthening of our Group's long-term financial base through the bonds issue underpins our growth by improving our solvency and rating parameters.

Another positive factor in this respect is the significantly increased profitability of our reinsurance business, which in the renewal of treaties at 1 January 2003 continued to reflect the radical market upswing. We are consistently working to further enhance our portfolio: rate increases and higher shares in renewed business and new business more than made up for the extensive cancellation of insufficiently profitable business.

Our strictly profit-oriented underwriting policy is impressively underlined by the sharp reduction in our combined ratio to 96.8% in the first quarter of 2003. The combined ratio for the whole business year 2002 was 122.4%; even excluding the strengthening of reserves for US business and for the World Trade Center loss, it was still 106.5%. Improvements in our treaty portfolio have led to a reduction in the burdens from claims and costs, whilst premium volume has expanded noticeably due to price increases. Expenditure for large and very large losses in the first three months amounted to only €15.8m (163.6m). Nor did we have to assume any significant burdens from natural catastrophes.

In primary insurance, we were once again able to achieve pleasing growth of 8.1% in the first quarter. Sizeable growth rates were recorded in life insurance, where gross premium rose by 10.5%, in property-casualty insurance, which grew by 5.5%, and in health insurance, which was up 9.1%.

At 99.1%, our primary insurers' combined ratio was below the 100% mark in 2002, and in the first quarter of 2003 it improved even further, falling to an outstanding 98.0%. This illustrates the profitability of our primary insurers in property-casualty business.

The primary insurance companies in the Munich Re Group rank among the leading providers of insurances of the person in Germany. Especially our life and health insurance companies, which had invested heavily in the European stock markets, were hard hit by the plummeting share prices that necessitated high writedowns. As soon as the effects of the stock market slump have been overcome, insurances of the person will be able to pick up where they left off. We continue to anticipate considerable demand, since the need for private old-age and health provision will go on rising significantly. Our insurance products still compare very favourably with those of our competitors.

Special trends are currently emerging in private health insurance, whose parameters are naturally influenced by changes in the state health insurance schemes. Social security systems in most European nations are in urgent need of reform, for it is now commonly accepted that the population age pyramid is steadily changing. That is why there is greater need for privately funded provision to finance modern medical care. We are thus confident that a very important role will be assigned to private insurers in forthcoming political decisions on the future of compulsory health insurance in Germany, our most significant market.

Despite the after-effects of the stock market collapse, which are still reflected in our figures and are responsible for the loss in the first quarter, we take a decidedly positive view of future developments. We have put our business on a more solid footing, a fact that is clearly shown by the very good combined ratio in property-casualty business in primary insurance and reinsurance. We are making good progress. Provided we are spared extraordinary claims events and a renewed capital market deterioration over the course of the year, the advances we have made will soon have a very noticeable impact on our overall result.

Yours sincerely,



Overall economic development

- Geopolitical uncertainties hold back the economy
- Poor capital market performance with high volatility

The already fragile world economy was weakened even further in the first quarter by increased geopolitical uncertainties. Leading up to the war in Iraq, negative factors clouded the economic picture, such as a general reluctance to invest and consume, rising oil prices and the deep slump on the stock markets.

Although industrial production in the US initially rose substantially in January, the economy slowed noticeably over the rest of the quarter. The escalating Iraq crisis led to a steep fall in key early indicators. The growth in real GDP in the US was clearly not as strong as in the previous quarter.

In the eurozone, preliminary figures show that economic output stagnated, whereas in Germany it declined. Against this backdrop, the European Central Bank and the Bank of England each lowered their key interest rates by 25 basis points in the period under review. In Central and Eastern Europe, EU extension entered its final phase after the first referenda produced positive results.

In Japan, economic development continues to be subdued; the country is still caught in deflationary waters. The weak global economy also affected emerging markets: Asia remained the most dynamic of these. The spread of the respiratory disease SARS has added to the prevailing uncertainty.

Although there was a general rise in commodity prices, inflation rates in most industrial nations remained low. In the period under review, the US dollar was slightly down against the euro, losing ground even further in April and May.

Volatility on the international stock markets stayed high, and there were further heavy falls in prices. In Europe, key share price indices such as EURO STOXX 50 or DAX once again recorded their lowest levels in many years. Parallel to this, yields on government bonds continued to decrease. In April the stock markets began to recover.

Predictions on overall economic development are largely dependent on further geopolitical events. We are not expecting economic growth to pick up perceptibly in the short term. Concern about the deflationary trends in some industrial nations has grown further. As far as the capital markets are concerned, we anticipate continued volatility under these circumstances.

The weak dynamics of the economy and the capital markets in particular continue to impact the insurance industry's investments. On the other hand, reinsurance renewals at the beginning of the year and at 1 April continued to be marked by improved rates and conditions.

Business experience from 1 January to 31 March 2003

REINSURANCE

- Successful 2003 renewal season: further improvement in portfolio
- 2.9% premium growth in life
- Despite good organic growth, premium development in non-life down by 7.9% due to foreign-exchange effects
- Combined ratio reduced to 96.8%
- Investment result remains under pressure

The results of the period under review show that our reinsurance portfolio has fundamentally improved. In renegotiating our treaties for 2003, we achieved much more equitable prices and conditions. This also applies to facultative reinsurance, which covers large individual risks. The strong market upswing already evident last year continued.

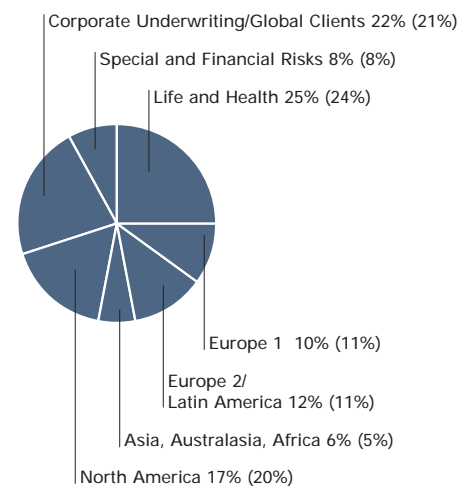
In liability, rates for renewed reinsurance business rose significantly by 15% and in property reinsurance by 7% on average. We withdrew from business that did not meet our price expectations.

In original currencies, our premium income as compared to the first quarter of 2002 increased by 6.7% (32.0%). Foreign-exchange effects more than offset this growth in premium, however, and resulted in an overall decline in euro-denominated premium by 5.9% (+37.8%) to €6,523m (6,930m). In other words, the gains made by the euro, especially against the US dollar, translated into much lower premium income.

In life and health reinsurance, our premium fell by 2.7% (+8.3%) to €1.6bn (1.6bn) in the first quarter; in property-casualty reinsurance, it came to only €4.9bn (5.3bn) owing to foreign-exchange effects.

We were able to appreciably reduce our combined ratio in the first quarter of 2003 to 96.8% (101.7%), a reflection of our strictly profit-oriented underwriting policy. We were largely unaffected by natural catastrophes and other major losses. In 2002 the combined ratio – adjusted to eliminate the reserve strengthening at American Re and for the World Trade Center loss – was 106.5%; without natural catastrophes it would still have amounted to 103.2%. At 96.8%, the figure for the first quarter 2003 was 6.4 percentage points lower, which illustrates our progress in particular in the 2002 renewals but also in 2003 as far as prices and conditions are concerned.

Gross premiums by division



Our reinsurers' investment result in the first quarter was characterised by further expenditure for writedowns and losses on the disposal of securities totalling €522m (87m). It amounted to €527m (5,909m).

The result of our Group's reinsurance business before amortisation of goodwill totalled €351m (5,468m) in the first quarter. The reinsurers thus contributed €29m (5,156m) to the Group's overall result after tax.

Reinsurance		Q1 2003	Q1 2002
Gross premiums	€bn	6.5	6.9
Loss ratio non-life	%	69.8	73.1
Expense ratio non-life	%	27.0	28.6
Combined ratio non-life	%	96.8	101.7
Result before amortisation of goodwill	€m	351	5,468

		31.3.2003	31.12.2002
Investments	€bn	67.5	68.6
Net underwriting provisions	€bn	55.4	55.3

PRIMARY INSURANCE

- Robust premium growth in all business segments
- Strong new business corroborates franchise strength
- Combined ratio reduced to 98.0%
- Investment result remains under pressure

The primary insurers in the Munich Re Group – ERGO, Karlsruher and Europäische Reiseversicherung – have maintained their high growth rate, especially in the profitable sectors of personal lines business and insurances of the person. Gross premiums written in the first quarter of 2003 climbed to €5.0bn (4.6bn), an increase of 8.1%. We are pleased to report that the companies made a good start to the year in all business segments.

This development was largely due to life insurance. Premium income in the first quarter was €1.9bn (1.7bn), equivalent to a 10.5% increase. Both in Germany and at our foreign subsidiaries, we succeeded in achieving clear double-digit growth figures in new business. Our life insurers, Hamburg-Mannheimer, VICTORIA, Karlsruher and KarstadtQuelle Lebensversicherung, a company we acquired last year, have already sold over 24,000 “Riester policies”. Our activities in the area of company pension schemes are also increasingly bearing fruit in the form of significant premium volumes.

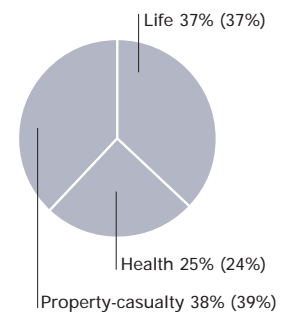
In health insurance, our premium income grew to €1.2bn (1.1bn) in the first quarter of 2003. This growth is in part attributable to higher premium rates. Since the beginning of the year, the number of policyholders with comprehensive medical cover has risen to over 900,000.

In property-casualty insurance, premium income in the first quarter of 2003 grew by 5.5% to €1.9bn (1.8bn). New German business showed strong double-digit growth rates. The combined ratio fell to an excellent 98.0%. By comparison, it stood at 110.2% in the first quarter of 2002 and 99.1% in the business year 2002 as a whole.

The new business written, which is pleasing both in terms of volume and quality, reflects the great franchise strength of our primary insurers, led by the ERGO Insurance Group. The success of our multi-channel distribution strategy is illustrated by the exclusive partnership with Hypo-Vereinsbank, by the joint-venture with KarstadtQuelle Finanz Service, and by the sale of direct insurance through KarstadtQuelle Versicherungen. In the first quarter of 2003 these partnerships again fulfilled our expectations.

The favourable underwriting performance of primary insurance business once again contrasted with the negative trend on the capital markets. Share prices on the international stock markets, which continued to decline in the first three months of 2003, led to €1,775m (359m) in writedowns and losses on the disposal of securities in the primary insurance segment. The investment result therefore totalled only –€0.3bn (1.8bn).

Gross premiums by class of insurance



The primary insurance result before amortisation of goodwill was –€243m (109m) and –€284m (27m) after tax.

Primary insurance		Q1 2003	Q1 2002
Gross premiums	€bn	5.0	4.6
Result before amortisation of goodwill	€m	-243	109

		31.3.2003	31.12.2002
Investments	€bn	102.5	104.4
Net underwriting provisions	€bn	88.4	88.4

ASSET MANAGEMENT

- Global stock markets continue to slide; new lows in March
- Interest rates remain depressed
- Risks in the investment portfolio further reduced

The still weak economy and escalating Iraq crisis caused prices on the global stock markets to decline even further in the first quarter of 2003.

Dropping by 14.6%, the European share price index EURO STOXX 50 hit new lows and temporarily declined to the level of 1996. The stock markets in the US, UK and Japan also suffered setbacks.

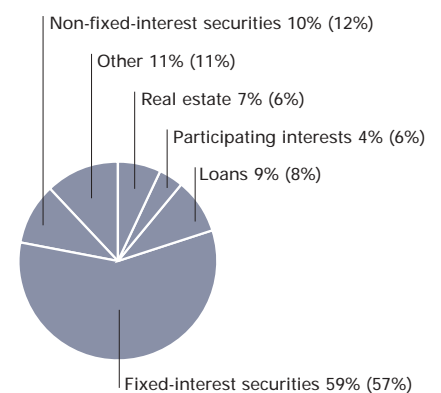
Yields on government bonds stabilised at a low level in the period under review. At the end of the quarter, returns on ten-year US government bonds stood at 3.82%, while ten-year euro bonds offered yields of somewhat more than 4%.

Our investments were subject to the same developments. To reduce our market risks, we took counteractive measures by hedging parts of our equity holdings. As a result, equities including shareholdings at 31 March 2003 accounted for about 14% of the overall investment portfolio. To further reduce our equity exposure, we participated in the capital increase undertaken by Allianz AG only to the extent possible without committing new funds. Owing to this measure, our share in Allianz AG was down to just over 15% by the end of April. With our Allianz holding falling below the 20% threshold at the end of the first quarter, we now no longer post this under investments in associated enterprises but as equities. The holding is thus assessed at market value and not at the proportionate share of the equity capital, as was still the case at the end of 2002. From now on in our income statement we will recognise the dividend we receive from Allianz rather than the annual result apportionable to us as income or expenditure, as we did before. Our share in Allianz nevertheless remains particularly important to us, not only because of its value but also because of the significance of our ties.

More than 95% of the securities in our bond portfolio are rated A or better. We attach great importance to good credit ratings when investing in corporate bonds.

The investment result amounted to €216m (6,927m). Last year's result was significantly influenced by capital gains totalling €3.8bn from the shareholding transactions with Allianz. Moreover, in the first quarter of this year, we had to make writedowns on securities to the tune of €880m and also realised losses of €1,417m on the disposal of investments.

Investment mix



Issue of two subordinated bonds in mid-April 2003

- Successful issue of subordinated bonds with a total volume of approximately €3.4bn
- Strengthening of capital base relevant to rating and of own funds in the solvency calculation
- Oversubscription illustrates great confidence in Munich Re Group

Shortly after the onset of the war in Iraq, the capital markets were marked by high volatility and from time to time pronounced reservations about the European financial services sector. Despite this unusually difficult economic climate, we succeeded in placing two subordinated bonds with an overall volume of about €3.4bn without difficulty at the beginning of April. Our €3.0bn euro bond was the largest-ever subordinated bonds issue worldwide. We also issued a sterling bond, whose volume was appreciably higher at £300m than originally planned as a result of the strong demand among investors.

The structure of the two subordinated bonds is in line with market standards. The euro bond has a 20-year term and may be called for early redemption 10 years after issue; the sterling bond, by contrast, has a term of 25 years and the option of being called and redeemed 15 years after issue. The bonds are regarded as equity by the leading rating agencies and recognised by the Federal Financial Supervisory Authority as own funds in the solvency calculation. The bonds thus underpin growth in reinsurance and primary insurance with long-term funds.

The success of the issues was reflected in a high oversubscription rate as well as a spread of 245 basis points above euro mid-swap for our euro tranche and of 295 basis points above gilt for the sterling tranche, both being at the lower end of the indicative spreads initially given. This success is an especially clear expression of confidence in Munich Re.

Prospects

There are various reasons why the quarterly results of insurance companies, including Munich Re, are not a completely reliable indicator for the results of the business year as a whole. 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. Furthermore, gains and losses on the disposal of investments and writedowns on investments do not follow a regular pattern.

- Pleasing growth in our main markets
- Negative foreign-exchange effects
- After-effects of bear market and continuing uncertainty on the capital markets; further writedowns on shares cannot be ruled out
- Clearly improved quality of reinsurance business; substantially better combined ratio expected
- Strong growth and balanced result in primary insurance with low combined ratio

Shareholders' equity

The quarterly reporting date was a particularly low point for the stock markets, with above all the share prices of financial services providers coming under pressure. In our shareholders' equity this was noticeably reflected in the unrealised gains and losses. Negative foreign-exchange effects also played a major part. Overall, shareholders' equity declined from €13.9bn at 31 December 2002 to €12.5bn at 31 March 2003. By the end of May, however, the intermediate losses had been more than recouped.

Growth

For the business year 2003 we expect Group premium income to reach about the same high level as last year. Excluding foreign-exchange effects, we anticipate about 5% growth in gross premiums written. Although rating levels in primary insurance and reinsurance have increased significantly, our underwriting policy is more restrictive and quality-conscious.

This is particularly true in reinsurance, where in addition to further increases in premium rates, we have also implemented significant improvements in conditions. Though these improvements do not lead to higher premium income, they will reduce expenditure. Given its substantial share of our gross premium income, business not written in euros is of major importance. If the exchange rate for the euro remains at the same high level against the US dollar, pound sterling and Swiss franc, the growth of our euro-denominated business volume will be impaired. However, as claims costs may also be denominated in the respective foreign currencies and we match our reserves with investments in the same currencies, our result will be virtually unaffected by changes in exchange rates.

In our primary insurance group, foreign-exchange influences do not have a major impact, because almost all of our premium income stems from the eurozone. Germany accounts for about 90% and private clients here for some 90%. Germans' disposable income and consumer spending are being curtailed by the weak economy; nevertheless, the great need for private provision suggests that the demand for private insurance will remain stable. The trend towards more personal responsibility for old-age and health provision remains unbroken. As the Munich Re Group is especially well positioned in the sector of insurances of the person, we expect our primary insurers' premium income to rise by 6.5% in 2003, which means it will grow more strongly than the market average (about 3%).

Given the very negative foreign-exchange effects, a consolidation of premium denominated in euros at last year's high level would be a major success for the Group as a whole, following several periods of double-digit growth rates.

Result

In the past few years, stock market volatility and interest rate movements have taken on unprecedented dimensions. Although the proportion of equities in our portfolio fell from 29% (at the end of 2001) to 14% (at 31 March 2003), we are not immune to stock market trends. We are therefore not able at this point to give a reliable forecast of the overall result for the business year 2003. Nevertheless, we would like to give some indication of how we expect individual components of the result to develop.

The investment result will remain below the figures achieved in previous years. In our balance sheet, the largest proportion of our investment portfolio – in particular securities available for sale – is shown at market value. Changes in value have a direct impact on our equity capital but do not affect our income statement unless the investments are sold or sustain a loss that is assessed as probably not temporary, thus necessitating a writedown. As the year progresses, at least part of the losses in value that had not been realised at the turn of the year 2002/2003 will probably be reflected in the result as losses on disposals and writedowns unless stock markets clearly recover. In addition, the present low interest rates are causing regular investment income to decline.

Last year, our German life insurers responded to the change in capital market conditions. They lowered policyholders' bonuses appreciably, in line with market developments, thereby paving the way for the necessary improvement in profitability. Over and above this, a further reduction of the 3.25% guaranteed interest rate is currently being considered. The recalculation of life insurance rates called for in such cases would probably be used to also thoroughly remodel the range of products offered.

For property-casualty insurance we expect the combined ratio to improve even further in 2003. In 2002 it was already below 100% despite a considerable burden from natural catastrophes.

We expect the bottom-line result in the primary insurance segment to be approximately break-even in 2003 – also in light of the programmes that our largest insurance subsidiary ERGO has introduced to bring about further systematic improvements in efficiency.

In negotiating our reinsurance business, about 90% of which was up for renewal at the beginning of the year and at 1 April, we made additional progress beyond last year's noticeably improved level. We succeeded in obtaining price adjustments in the double-digit per cent range in highly exposed non-proportional business and in the insurance of large individual risks. In addition, higher primary insurance rates in the non-life portfolio as a whole helped to improve performance in proportional reinsurance as well. Overall, the rate increases we achieved on renewed business averaged over 10%.

Another of our main goals was to implement better conditions. In this regard, we have also made considerable headway towards an improved combined ratio. For instance, we have limited motor liability cover in markets that used to provide unlimited cover, introduced occurrence limits for natural hazards covers in property insurance, and established higher retentions and excluded highly exposed risks in marine insurance. All in all, we have focused less on additional growth and more on the further improvement of our portfolio. We have terminated almost one fifth of our reinsurance treaties – measured in terms of premium volume – because appropriate improvements in prices and conditions were not possible. Our pricing has been based on ambitious returns on equity. Provided the burden from natural catastrophes and major losses stays normal, the combined ratio for renewal business should remain below the 100% mark over the course of the year. In other words, for active reinsurance business the stage is set for a satisfactory development in 2003.

Consolidated balance sheet as at 31 March 2003

ASSETS	€m	€m	€m	31.12.2002 €m	Change	
					€m	%
A. Intangible assets						
I. Goodwill		4,291		4,441	-150	-3.4
II. Other intangible assets		1,342		1,336	6	0.4
			5,633	5,777	-144	-2.5
B. Investments						
I. Real estate		10,027		9,848	179	1.8
II. Investments in affiliated enterprises and associated enterprises		5,765		9,601	-3,836	-40.0
III. Loans		14,061		12,644	1,417	11.2
IV. Other securities						
1. Held to maturity	825			852	-27	-3.2
2. Available for sale	104,520			106,175	-1,655	-1.6
3. Held for trading	846			452	394	87.2
		106,191		107,479	-1,288	-1.2
V. Other investments						
1. Deposits retained on assumed reinsurance	13,201			12,911	290	2.2
2. Miscellaneous	3,398			3,092	306	9.9
		16,599		16,003	596	3.7
			152,643	155,575	-2,932	-1.9
C. Investments for the benefit of life insurance policyholders who bear the investment risk			713	703	10	1.4
D. Ceded share of underwriting provisions			9,891	10,230	-339	-3.3
E. Receivables			8,757	8,871	-114	-1.3
F. Cash with banks, cheques and cash in hand			4,595	2,735	1,860	68.0
G. Deferred acquisition costs			7,501	7,451	50	0.7
H. Deferred tax			3,876	4,067	-191	-4.7
I. Other assets			979	1,032	-53	-5.1
Total assets			194,588	196,441	-1,853	-0.9

EQUITY AND LIABILITIES	€m	€m	31.12.2002 €m	Change	
				€m	%
A. Shareholders' equity					
I. Issued capital and capital reserve	3,447		3,447	0	-
II. Revenue reserves	10,193		10,008	185	1.8
III. Other reserves	-877		-588	-289	-49.1
IV. Consolidated profit	-238		1,081	-1,319	-
		12,525	13,948	-1,423	-10.2
B. Minority interests		529	532	-3	-0.6
C. Gross underwriting provisions					
I. Unearned premiums	6,596		6,158	438	7.1
II. Provision for future policy benefits	97,182		96,088	1,094	1.1
III. Provision for outstanding claims	42,822		42,792	30	0.1
IV. Other underwriting provisions	5,508		7,460	-1,952	-26.2
		152,108	152,498	-390	-0.3
D. Gross underwriting provisions for life insurance policies where the investment risk is borne by the policyholders		716	698	18	2.6
E. Other accrued liabilities		3,146	3,197	-51	-1.6
F. Liabilities					
I. Notes and debentures	2,204		2,205	-1	0.0
II. Other liabilities	18,445		18,467	-22	-0.1
		20,649	20,672	-23	-0.1
G. Deferred tax liabilities		4,758	4,738	20	0.4
H. Other deferred items		157	158	-1	-0.6
Total equity and liabilities		194,588	196,441	-1,853	-0.9

Consolidated income statement for the period 1 January to 31 March 2003

ITEMS	Q1 2003	Q1 2002	Change	
	€m	€m	€m	%
1. Gross premiums written	10,826	10,741	85	0.8
2. Net earned premiums	9,491	8,756	735	8.4
3. Investment result	216	6,927	-6,711	-96.9
4. Other income	293	218	75	34.4
Total income (2-4)	10,000	15,901	-5,901	-37.1
5. Net expenses for claims and benefits	6,962	8,425	-1,463	-17.4
6. Net operating expenses	2,287	2,150	137	6.4
7. Other expenses	628	445	183	41.1
Total expenses (5-7)	9,877	11,020	-1,143	-10.4
8. Result before amortisation of goodwill	123	4,881	-4,758	-97.5
9. Amortisation of goodwill	83	74	9	12.2
10. Operating result before tax	40	4,807	-4,767	-99.2
11. Tax	298	315	-17	-5.4
12. Minority interests in earnings	-20	11	-31	-
13. Net profit	-238	4,481	-4,719	-

	Q1 2003	Q1 2002	Change	
	€	€	€	%
Earnings per share	-1.33	25.35	-26.68	-
Earnings per share, diluted	-	25.24	-	-

Consolidated income statement (quarterly breakdown)

	Q1 2003	Q4 2002	Q3 2002	Q2 2002	Q1 2002
ITEMS	€m	€m	€m	€m	€m
1. Gross premiums written	10,826	10,403	9,163	9,707	10,741
2. Net earned premiums	9,491	9,847	8,633	9,070	8,756
3. Investment result	216	-1,802	-1,567	2,047	6,927
4. Other income	293	317	156	652	218
Total income (2-4)	10,000	8,362	7,222	11,769	15,901
5. Net expenses for claims and benefits	6,962	6,686	5,826	10,192	8,425
6. Net operating expenses	2,287	2,517	2,146	2,120	2,150
7. Other expenses	628	796	454	688	445
Total expenses (5-7)	9,877	9,999	8,426	13,000	11,020
8. Result before amortisation of goodwill	123	-1,637	-1,204	-1,231	4,881
9. Amortisation of goodwill	83	126	81	90	74
10. Operating result before tax	40	-1,763	-1,285	-1,321	4,807
11. Tax	298	415	-374	-930	315
12. Minority interests in earnings	-20	-20	-52	-8	11
13. Net profit	-238	-2,158	-859	-383	4,481
	Q1 2003	Q4 2002	Q3 2002	Q2 2002	Q1 2002
	€	€	€	€	€
Earnings per share	-1.33	-12.10	-4.82	-2.16	25.35
Earnings per share, diluted	-	-	-	-	25.24

Consolidated cash flow statement for the period 1 January to 31 March 2003

	Q1 2003 €m	Q1 2002 €m
Net profit, including minority interests in earnings	-258	4,492
Net change in underwriting provisions	-31	2,899
Change in deferred acquisition costs	-37	185
Changes in deposits retained and accounts receivable and payable	-1,063	-834
Change in other receivables and liabilities	905	-1,289
Gains and losses on the disposal of investments	645	-5,279
Change in securities held for trading	-380	25
Change in other balance sheet items	153	636
Other income/expenses without impact on cash flow	1,683	400
I. Cash flows from operating activities	1,617	1,235
Change from the acquisition and sale of consolidated enterprises	-	-277
Change from the acquisition, sale and maturities of other investments	334	-1,011
Change from the acquisition and sale of investments for unit-linked life insurance	-10	-32
Other	-152	-115
II. Cash flows from investing activities	172	-1,435
Inflows from increases in capital	-	-
Dividend payments	-	-
Change from other financing activities	74	486
III. Cash flows from financing activities	74	486
Cash flows for the reporting period (I+II+III)	1,863	286
Effects of exchange rate changes on cash	-3	1
Cash at the beginning of the business year	2,735	1,866
Cash at the end of the reporting period	4,595	2,153
Additional information		
Tax on earnings (net)	36	66
Interest paid	59	107

Segment reporting

ASSETS	Reinsurance			
	Life and health		Property-casualty	
	31.3.2003 €m	31.12.2002 €m	31.3.2003 €m	31.12.2002 €m
A. Intangible assets	231	235	1,618	1,710
B. Investments				
I. Real estate	1,052	968	1,424	1,428
II. Investments in affiliated enterprises and associated enterprises	3,417	4,643	4,233	6,216
III. Loans	77	70	67	70
IV. Other securities				
1. Held to maturity	–	–	–	–
2. Available for sale	12,082	10,980	24,466	24,007
3. Held for trading	131	27	237	119
	12,213	11,007	24,703	24,126
V. Other investments	8,770	8,220	11,498	11,811
	25,529	24,908	41,925	43,651
C. Investments for the benefit of life insurance policyholders who bear the investment risk	–	–	–	–
D. Ceded share of underwriting provisions	1,902	2,020	5,660	5,655
E. Other segment assets	4,232	4,421	8,903	8,907
Total segment assets	31,894	31,584	58,106	59,923

Primary insurance				Asset management		Consolidation		Total	
Life and health		Property-casualty							
31.3.2003 €m	31.12.2002 €m	31.3.2003 €m	31.12.2002 €m	31.3.2003 €m	31.12.2002 €m	31.3.2003 €m	31.12.2002 €m	31.3.2003 €m	31.12.2002 €m
2,471	2,495	1,295	1,314	20	25	-2	-2	5,633	5,777
6,784	6,677	741	748	-	-	26	27	10,027	9,848
4,016	4,606	3,225	3,267	75	78	-9,201	-9,209	5,765	9,601
14,846	13,512	634	557	407	415	-1,970	-1,980	14,061	12,644
789	814	36	38	-	-	-	-	825	852
62,287	65,345	5,564	5,736	121	107	-	-	104,520	106,175
322	193	155	112	1	1	-	-	846	452
63,398	66,352	5,755	5,886	122	108	-	-	106,191	107,479
1,894	1,610	462	478	180	222	-6,205	-6,338	16,599	16,003
90,938	92,757	10,817	10,936	784	823	-17,350	-17,500	152,643	155,575
713	703	-	-	-	-	-	-	713	703
7,821	7,929	1,805	1,637	-	-	-7,297	-7,011	9,891	10,230
10,758	9,395	3,035	2,817	183	208	-1,403	-1,592	25,708	24,156
112,701	113,279	16,952	16,704	987	1,056	-26,052	-26,105	194,588	196,441

Segment reporting

EQUITY AND LIABILITIES	Reinsurance			
	Life and health		Property-casualty	
	31.3.2003 €m	31.12.2002 €m	31.3.2003 €m	31.12.2002 €m
A. Gross underwriting provisions				
I. Unearned premiums	106	180	5,022	5,076
II. Provision for future policy benefits	18,850	18,641	686	632
III. Provision for outstanding claims	3,006	2,803	34,960	35,281
IV. Other underwriting provisions	153	161	138	165
	22,115	21,785	40,806	41,154
B. Gross underwriting provisions for life insurance policies where the investment risk is borne by the policyholders	-	-	-	-
C. Other accrued liabilities	396	410	1,041	1,063
D. Other segment liabilities	3,108	3,196	9,660	9,779
Total segment liabilities	25,619	25,391	51,507	51,996

Primary insurance				Asset management		Consolidation		Total	
Life and health		Property-casualty							
31.3.2003 €m	31.12.2002 €m	31.3.2003 €m	31.12.2002 €m	31.3.2003 €m	31.12.2002 €m	31.3.2003 €m	31.12.2002 €m	31.3.2003 €m	31.12.2002 €m
158	82	1,683	1,062	-	-	-373	-242	6,596	6,158
83,550	82,389	98	90	-	-	-6,002	-5,664	97,182	96,088
1,357	1,380	4,338	4,393	-	-	-839	-1,065	42,822	42,792
6,012	7,731	100	104	-	-	-895	-701	5,508	7,460
91,077	91,582	6,219	5,649	-	-	-8,109	-7,672	152,108	152,498
709	690	-	-	-	-	7	8	716	698
701	680	966	1,003	56	55	-14	-14	3,146	3,197
16,634	16,424	5,192	5,250	697	736	-9,727	-9,817	25,564	25,568
109,121	109,376	12,377	11,902	753	791	-17,843	-17,495	181,534	181,961
Shareholders' equity*								13,054	14,480
Total equity and liabilities								194,588	196,441

* Group shareholders' equity and minority interests.

Segment reporting

INCOME STATEMENT 1.1-31.3.2003

	Reinsurance			
	Life and health		Property-casualty	
	Q1 2003 €m	Q1 2002 €m	Q1 2003 €m	Q1 2002 €m
1. Gross premiums written	1,601	1,645	4,922	5,285
Thereof:				
- From insurance transactions with other segments	243	217	404	547
- From insurance transactions with external third parties	1,358	1,428	4,518	4,738
2. Net earned premiums	1,508	1,456	4,431	4,134
3. Investment result	258	1,183	269	4,726
Thereof:				
- Income from associated enterprises	-19	680	-22	3,297
4. Other income	23	28	92	82
Total income (2-4)	1,789	2,667	4,792	8,942
5. Net expenses for claims and benefits	1,315	1,327	3,075	3,010
6. Net operating expenses	401	306	1,194	1,187
7. Other expenses	58	79	187	232
Total expenses (5-7)	1,774	1,712	4,456	4,429
8. Result before amortisation of goodwill	15	955	336	4,513
9. Amortisation of goodwill	1	1	28	36
10. Operating result before tax	14	954	308	4,477
11. Tax	36	87	257	189
12. Minority interests in earnings	-	-	-	-1
13. Net profit	-22	867	51	4,289

Primary insurance				Asset management		Consolidation		Total	
Life and health		Property-casualty							
Q1 2003 €m	Q1 2002 €m	Q1 2003 €m	Q1 2002 €m	Q1 2003 €m	Q1 2002 €m	Q1 2003 €m	Q1 2002 €m	Q1 2003 €m	Q1 2002 €m
3,068	2,794	1,885	1,787	-	-	-650	-770	10,826	10,741
3	6	-	-	-	-	-650	-770	-	-
3,065	2,788	1,885	1,787	-	-	-	-	10,826	10,741
2,678	2,380	874	786	-	-	-	-	9,491	8,756
-200	1,648	-79	106	3	8	-35	-744	216	6,927
-4	507	2	19	1	5	-	-	-42	4,508
189	157	186	139	56	50	-253	-238	293	218
2,667	4,185	981	1,031	59	58	-288	-982	10,000	15,901
2,066	3,533	517	564	-	-	-11	-9	6,962	8,425
388	362	303	292	-	-	1	3	2,287	2,150
314	182	303	174	51	44	-285	-266	628	445
2,768	4,077	1,123	1,030	51	44	-295	-272	9,877	11,020
-101	108	-142	1	8	14	7	-710	123	4,881
25	23	29	14	-	-	-	-	83	74
-126	85	-171	-13	8	14	7	-710	40	4,807
21	18	-16	14	3	8	-3	-1	298	315
-10	9	-8	4	-1	-	-1	-1	-20	11
-137	58	-147	-31	6	6	11	-708	-238	4,481

Segment reporting

INVESTMENTS*	Reinsurers		Primary insurers		Asset management		Total	
	31.3.2003 €m	31.12.2002 €m	31.3.2003 €m	31.12.2002 €m	31.3.2003 €m	31.12.2002 €m	31.3.2003 €m	31.12.2002 €m
Europe	32,194	33,203	95,119	97,412	267	351	127,580	130,966
North America	20,769	20,679	1,594	1,302	57	50	22,420	22,031
Asia and Australasia	1,755	1,818	317	343	22	22	2,094	2,183
Africa, Near and Middle East	603	553	65	64	0	-	668	617
Latin America	350	403	186	70	58	8	594	481
Total	55,671	56,656	97,281	99,191	404	431	153,356	156,278

* After elimination of intra-Group transactions across segments.

GROSS PREMIUMS WRITTEN*

1.1–31.3.2003	Reinsurers		Primary insurers		Total	
	Q1 2003 €m	Q1 2002 €m	Q1 2003 €m	Q1 2002 €m	Q1 2003 €m	Q1 2002 €m
Europe	3,639	3,291	4,800	4,401	8,439	7,692
North America	1,543	2,101	66	121	1,609	2,222
Asia and Australasia	373	425	40	23	413	448
Africa, Near and Middle East	185	156	35	19	220	175
Latin America	137	194	8	10	145	204
Total	5,877	6,167	4,949	4,574	10,826	10,741

* After elimination of intra-Group reinsurance across segments.

Notes

Accounting and valuation policies

This quarterly report as at 31 March 2003 has been prepared in accordance with the International Financial Reporting Standards.

The same accounting, valuation and consolidation principles have been applied as in our consolidated financial statements as at 31 December 2002.

Changes in the consolidated group

There were no significant changes in the group of consolidated companies in the first three months of 2003.

Foreign currency translation

Munich Re's reporting currency is the euro. The following table shows the exchange rates of the most important currencies for our business (exchange rate for €1 in each case):

	Balance sheet		Income statement	
	31.3.2003	31.12.2002	Q1 2003	Q1 2002
Australian dollar	1.80575	1.86360	1.81064	1.69359
Canadian dollar	1.60510	1.65790	1.62165	1.39858
Pound sterling	0.69035	0.65180	0.66948	0.61491
Rand	8.58885	9.00440	8.95188	10.11800
Swiss franc	1.47470	1.45100	1.46582	1.47346
US dollar	1.09120	1.04940	1.07310	0.87723
Yen	129.3950	124.5320	127.6270	116.1270

Intangible assets

All figures in €m	31.3.2002	31.12.2001
I. Goodwill	4,291	4,441
II. Other intangible assets	1,342	1,336
- Software	328	312
- Purchased insurance portfolios	906	913
- Other	108	111
Total	5,633	5,777

Changes in shareholders' equity

	Issued capital	Capital reserve	Revenue reserves	Other reserves	Consolidated profit	Total shareholders' equity
All figures in €m						
Status at 31.12.2001	453	2,714	11,522	4,418	250	19,357
Changes in exchange rates	-	-	73	3	-25	51
Allocation to revenue reserves	-	-	225	-	-225	-
Change in consolidated group	-	-	-116	-9	-	-125
Change resulting from valuation at equity	-	-	-	192	-	192
Unrealised gains and losses on other securities	-	-	-	-1,087	-	-1,087
Consolidated net profit	-	-	-	-	4,481	4,481
Other changes	-	-	-35	-	-	-35
Status at 31.3.2002	453	2,714	11,669	3,517	4,481	22,834
All figures in €m						
Status at 31.12.2002	457	2,990	10,008	-588	1,081	13,948
Changes in exchange rates	-	-	-372	-9	154	-227
Allocation to revenue reserves	-	-	1,235	-	-1,235	-
Change resulting from valuation at equity	-	-	-674	-202	-	-876
Unrealised gains and losses on other securities	-	-	-	-78	-	-78
Consolidated net profit	-	-	-	-	-238	-238
Other changes	-	-	-4	-	-	-4
Status at 31.3.2003	457	2,990	10,193	-877	-238	12,525

Minority interests

These are mainly minority interests in the ERGO Insurance Group.

All figures in €m	31.3.2003	31.12.2002
Unrealised gains and losses	-7	7
Consolidated profit	-20	-69
Other equity components	556	594
Total	529	532

Notes and debentures

All figures in €m	31.3.2003	31.12.2002
American Re Corporation, Princeton 7.45%, US\$ 500m, Senior Notes 1996/2026 Rating: AA	457	475
ERGO International AG, Düsseldorf 2.25%, €345m Bonds Exchangeable into E.ON AG Shares 2001/2006 0.75%, €345m Bonds Exchangeable into Aventis AG Shares 2001/2006 Rating: AA+	614	609
Munich Reinsurance Company, Munich 1.0%, €1,150m Bonds Exchangeable into Allianz AG Shares 2000/2005 Rating: AAA	1,124	1,111
Hestia Investment Organizacja, Sopot 7.3%, PLN 42.1m Zero Coupon Bonds 2002/2003	9	10
Total	2,204	2,205

Investment result

1.1–31.3.2003

	Reinsurance				Primary insurance				Asset management		Total	
	Life and health		Property-casualty		Life and health		Property-casualty		Q1 2003	Q1 2002	Q1 2003	Q1 2002
	Q1 2003	Q1 2002	Q1 2003	Q1 2002	Q1 2003	Q1 2002	Q1 2003	Q1 2002				
All figures in €m*												
Investment income												
Regular income	316	154	341	693	1,060	997	85	96	2	5	1,804	1,945
Income from write-ups	46	8	222	39	81	25	5	–	–	–	354	72
Gains on the disposal of investments	43	823	252	3,913	486	1,033	32	63	–	1	813	5,833
Other income	–	–	–	–	4	5	–	–	–	–	4	5
	405	985	815	4,645	1,631	2,060	122	159	2	6	2,975	7,855
Investment expenses												
Writedowns on investments	63	21	306	106	648	136	52	8	–	–	1,069	271
Losses on the disposal of investments	46	42	210	209	1,078	264	123	39	1	–	1,458	554
Other expenses	14	7	72	34	119	54	25	5	2	3	232	103
	123	70	588	349	1,845	454	200	52	3	3	2,759	928
Total	282	915	227	4,296	–214	1,606	–78	107	–1	3	216	6,927

* After elimination of intra-Group transactions across segments.

Net expenses for claims and benefits

1.1–31.3.2003

	Reinsurance				Primary insurance				Total		
	Life and health		Property-casualty		Life and health		Property-casualty		Q1 2003	Q1 2002	
	Q1 2003	Q1 2002	Q1 2003	Q1 2002	Q1 2003	Q1 2002	Q1 2003	Q1 2002			
All figures in €m*											
Gross	1,216	1,166	3,308	3,234	2,287	3,739	767	844	7,578	8,983	
Ceded share	85	31	159	498	48	30	324	–1	616	558	
Net	1,131	1,135	3,149	2,736	2,239	3,709	443	845	6,962	8,425	

* After elimination of intra-Group transactions across segments.

Net operating expenses

1.1–31.3.2003

	Reinsurance				Primary insurance				Total	
	Life and health		Property-casualty		Life and health		Property-casualty		Q1 2003	Q1 2002
	Q1 2003	Q1 2002	Q1 2003	Q1 2002	Q1 2003	Q1 2002	Q1 2003	Q1 2002		
All figures in €m*										
Gross	380	487	1,171	1,348	495	411	451	390	2,497	2,636
Ceded share	27	117	24	181	56	111	103	77	210	486
Net	353	370	1,147	1,167	439	300	348	313	2,287	2,150

* After elimination of intra-Group transactions across segments.

Number of staff

The number of staff employed by the Group as at 31 March 2003 totalled 30,952 (31,063) in Germany and 10,735 (10,333) in other countries.

	31.3.2003	31.12.2002
Reinsurance companies	5,967	5,836
Primary insurance companies	35,088	34,924
Asset management	632	636
Total	41,687	41,396

Contingent liabilities, other financial commitments

In comparison with the situation at 31 December 2002, there have been no material changes in financial commitments of significance for the assessment of the Group's financial position, apart from the outstanding commitments from real estate purchase agreements, which have largely been settled. 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 net income for the reporting period by the weighted average number of shares.

		Q1 2003	Q1 2002
Net income	€m	-238	4,481
Weighted average number of shares		178,330,916	176,783,539
Earnings per share	€	-1.33	25.35

Important dates

Annual General Meeting	11 June 2003
Dividend payment	12 June 2003
Interim report as at 30 June 2003	28 August 2003
Half-year press conference	28 August 2003
Interim report as at 30 September 2003	25 November 2003
Provisional figures for consolidated financial statements 2003	17 March 2004
Balance sheet meeting of Supervisory Board	14 April 2004
Annual report for the business year 2003	15 April 2004
Balance sheet press conference	15 April 2004
Analysts' conference	16 April 2004
Annual General Meeting	26 May 2004
Dividend payment	27 May 2004
Interim report as at 31 March 2004	3 June 2004
Interim report as at 30 June 2004	4 August 2004
Half-year press conference	4 August 2004
Interim report as at 30 September 2004	3 November 2004

The official German original of this quarterly report is also available from the Company. In addition, you will find copies of our annual reports and interim reports, along with further current information about Munich Re and its shares, on our internet website (<http://www.munichre.com>).

Service for investors and analysts

If you have general questions on Munich Re shares, please use our shareholder hotline:

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