3/2003

Munich Re Group
Quarterly Report

Münchener Rück
Munich Re Group

Supervisory Board

Ulrich Hartmann (Chairman)

Board of Management

Dr. Hans-Jürgen Schinzler (Chairman) (until 31 December 2003)

Dr. Nikolaus von Bomhard (Chairman from 1 January 2004)

Clement Booth (until 30 September 2003)

Georg Daschner (from 1 October 2003)

Dr. Heiner Hasford

Stefan Heyd

Dr. Torsten Jeworrek (from 1 October 2003)

Christian Kluge

John Phelan

Dr. Detlef Schneidawind

Dr. Jörg Schneider

Karl Wittmann

Key figures for the Munich Re Group

		Q1–3 2003	Q1–3 2002	Change in %	Q3 2003	Q3 2002	Change in %
Gross premiums written	€m	30,658	29,611	3.5	9,898	9,163	8.0
Result before amortisation of goodwill	€m	1,302	2,446	–46.8	363	–1,204	–
Minority interests in earnings	€m	–28	–49	42.9	10	–52	–
Net income	€m	–451	3,239	–	152	–859	–
Earnings per share	€	–2.53	18.25	–	0.85	–4.82	–

		30.9.2003	31.12.2002	Change in %
Investments	€m	165,851	156,278	6.1
Shareholders' equity	€m	14,898	13,948	6.8
Net underwriting provisions	€m	147,446	142,966	3.1
Staff		41,344	41,396	–0.1
Share price	€	85.31	114.00	–25.2

To our shareholders

Dear Shareholders,

The good performance of our underwriting business is now having an impact on the overall result. Following the absorption of exceptional negative effects in the previous quarters, the marked improvement in our business is reflected in a Group profit of €152m for the third quarter. We have passed the trough. With the capital increase successfully carried out in October and November, we have strengthened ourselves for the forthcoming renewals of reinsurance treaties at the turn of the year and are set to consolidate our market position in insurance and reinsurance.

At the end of the third quarter, the stock markets were at around the same level as on 30 June 2003. The EURO STOXX 50 fell from 2,420 points on 30 June to 2,396 points on 30 September 2003. Interest rates nudged upwards, producing slight falls in the market values of bonds. At €247m, writedowns and losses on the disposal of securities were low in the third quarter compared with the previous quarters. In the first half year they had still totalled €2,829m. Unrealised gains on our securities available for sale exceeded unrealised losses at the end of the third quarter by a sizeable €5.0bn. This shows that the effects of the weak stock markets up to the end of March have now been largely overcome.

The positive and stabilising trends on the capital markets since the second quarter have made themselves felt particularly in the result of our primary insurance group: their investment result was burdened by only €116m from writedowns and losses on disposals.

In order to improve the underwriting result, we have taken cost reduction measures in primary insurance with a savings volume of €300m, which should be achieved by 2005. Furthermore, the lowering of policyholders' bonuses to take account of capital market developments enhances the profitability of our life insurers. Apart from this, legislation reducing the guaranteed minimum interest rate from 3.25% to 2.75% in our most important market, Germany, will provide greater room for manoeuvre.

Our measures have already borne fruit:
– At 94.6%, our primary insurers' combined ratio in property-casualty business, including legal expenses insurance, was again below the 100% mark in the third quarter. This outstanding figure reflects our underwriting discipline and the first positive effects of our cost-reduction measures.
– The result of our primary insurance business shows a marked improvement on the previous quarters.

The strong organic growth of 5.5% for the first three quarters underscores our primary insurance companies' great franchise strength.

Given that our primary insurers have now absorbed most of the aftereffects of the stock market slump, we are confident that they will shortly be able to recapture the successes of earlier periods. To this end, particularly in insurances of the person, product and marketing policy measures must ensure to a greater extent than hitherto that profit margins take adequate account of the risks of the capital market.

In reinsurance, we impressively showed for the third successive quarter that our efforts in applying a selective and strictly profit-oriented acceptance policy are paying off. Especially notable is the enhanced profitability of American Re, which is effectively taking advantage of the opportunities presented by the US insurance market.

Our third-quarter combined ratio in reinsurance was 99.3%. The figure for the first nine months of the year improved to 97.0%, or by 30.3 percentage points compared with the same period last year. Losses from natural catastrophes totalled €182m (451m) in the first three quarters. The natural catastrophes that had the greatest impact on the Munich Re Group were various tornadoes and Hurricane Isabel in the USA. In life reinsurance business, profitability is measured in terms of embedded value operating earnings. Thanks to the pleasing performance of the first nine months, our prospects are good for achieving the forecast 10% growth for the year as a whole, based on the embedded value at the end of 2002.

In line with our expectations, premiums in reinsurance – adjusted to eliminate the effects of changes in exchange rates – increased to €21.0bn or by 9.9% compared with the first nine months of last year.

Almost concurrently with the publication of our results for the second quarter, which were disappointing owing to the impact of tax burdens, two of the four rating agencies important for us lowered their ratings for the Munich Re Group by one notch at the end of August. Our ratings from A. M. Best, Fitch and Moody’s still put us among the top group. With Standard & Poor’s, on the other hand, we find ourselves ranked in the upper midfield; even though our Group is attested as having “strong financial security”, this rating is not satisfactory for us. We want to swiftly create the conditions for returning to the top group with all the agencies and for remaining there. In property-casualty business, we have achieved a combined ratio in primary insurance and reinsurance of under 100% for the third time in succession, showing that we are on the right track. We will continue to pursue our strictly profit-oriented acceptance policy, which is the precondition for our success. We are taking advantage of business opportunities in the currently favourable market environment to expand our portfolio profitably without making any concessions in our ambitious return targets. Thanks to our market position and our expertise, we are will equipped for this task.

On 11 November we successfully completed a substantial rights issue of around €4.0bn. With our capital base thus broadened, we will exploit additional earnings opportunities and grow selectively in those markets we consider promising. The situation for this is favourable, especially in reinsurance. The rights issue has not only increased our equity capital but has also improved its quality and made us more independent of fluctuations on the capital markets. Taking into account our share price and the general environment in mid-October, with the stock markets having recovered and stabilised, the timing for this measure was good. The capital market responded positively, with more than 99% of the subscription rights exercised and the few new shares that became free easily placed. Munich Re's share price has performed very satisfactorily since the rights issue was announced.

With the sale of our 25.7% stake in Hypo Real Estate Holding AG and of 2% of the share capital of Allianz, we took significant steps in October and November towards further reducing our high exposure in the German banking and insurance sector. Our stake in Allianz now amounts to only 12.2%. The sale of the Allianz shares yielded a pleasing capital gain. The spin-off of Hypo Real Estate from HypoVereinsbank and the sale of our stake resulted in a loss for us that will impact the result for the fourth quarter; at the same time, however, it reduces the hidden negative valuation differences on our remaining interest in HypoVereinsbank. This step and the large writedowns on equities in 2003 have gone a long way to eliminating the burdens resulting from previous periods.

The continuing stabilisation of the stock markets also helped our investment portfolio to recover further after the end of the quarter.

These favourable circumstances have already been reflected in our share price. After the lows at the end of the first quarter – on 31 March 2003 the price stood at €52.50 – Munich Re shares rallied in the second quarter, rising in value by 69% (DAX: 33%). Since the end of the third quarter, our share price has again showed a positive upward trend.

Ladies and gentlemen, we regard the positive reception given to our capital increase as a sign of confidence but also as a clear mandate: there is still much to be done to secure our sustained success again in all segments. The reshaped management team led by Dr. Nikolaus von Bomhard will do its utmost to ensure that you, as the owners of our Company, obtain a good return from your Munich Re shares again in future.

Yours sincerely,

H. J. Schinzler

Overall economic development

- **Signs of upswing proceeding from the USA; sustainability still in doubt**
- **Greater optimism also in the eurozone and Asia**

Emanating from the USA, there was a further recovery in the global economy in the third quarter of 2003. The economic upswing in the USA was based on fiscal and monetary policy stimuli and accelerated as the quarter went on. According to provisional figures, GDP rose in the third quarter with real annualised growth of 7.2%. Yet at the same time, weak consumer confidence and the continuing absence of a recovery on the employment market mean that doubts about the sustainability of the upswing still remain.

In the eurozone, some indicators of business climate such as the German Ifo index improved during the quarter, signalling the advent of an economic revival. In Japan, strong growth in exports and favourable confidence indicators point to a continuation of the economic upturn there.

The emerging markets, especially in Asia, are also profiting from the improved economic outlook in the most important industrial nations, with China again showing above-average growth.

The US dollar fell considerably against the euro in the course of the quarter and also against other currencies, especially in Asia. At 1.16, the end-of-quarter US$/€ exchange rate was close to its all-time low of May this year. With commodity prices staying high, inflation rates in most of the industrialised countries remained relatively stable.

Against the background of improved expectations for the economy and company profits, the international stock markets recovered further to begin with. In September, however, share prices fell again owing to somewhat weaker economic data and profit-taking. Parallel to this, yields on US and German bonds increased markedly over the quarter from their lows in June, though they also declined again slightly in September.

All in all, for 2004 we expect a continuing economic upswing in the USA, which will probably spread gradually to other parts of the world. Economic growth in the eurozone is likely to remain well behind that in the USA. In this environment, at least initially, we expect the international stock markets to develop favourably and yields on the bond markets to rise further.

Given the continuing macroeconomic imbalances such as the high level of public and household debt, however, there is no certainty that the upswing in the USA, primarily driven by fiscal and monetary policy measures, will last beyond the first half of 2004. Besides these imbalances, there are geopolitical risks, which pose a persistent threat to the global economy, and the risk of deflationary trends in some industrial nations.

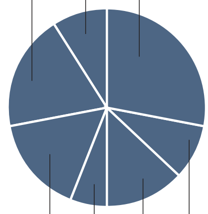
The environment on the reinsurance markets has remained attractive, with the positive trend in quantitative and qualitative conditions prevailing. Primary insurance in Germany continues to be affected by macroeconomic and socio-political developments. Whilst private provision is unquestionably becoming more and more necessary, the regrettable logjam of reforms has meant that many clients are nevertheless holding back from buying appropriate insurance products to close gaps in cover.

Business experience from 1 January to 30 September 2003

REINSURANCE

- **Strong organic premium growth, curbed by changes in exchange rates**
- **Increase in claims costs from natural catastrophes**
- **Combined ratio again below 100%**
- **Quarterly result of €241m satisfactory**

Gross premiums by division Q1–3



Our strictly profit-oriented acceptance policy, which we have consistently adhered to in the renewal of reinsurance treaties throughout the business year to date, is now paying off. The improvements in rates and conditions we have achieved in nearly all sectors and the absence of major burdens from natural catastrophes have led to an excellent underwriting result for the first nine months.

In the third quarter of 2003 we wrote gross premiums of €6.2bn (6.0bn); this was 3.5% more than in the comparable period last year. Our premium income for the first nine months of the business year shows a slight fall of 0.1% to €19.1bn (19.1bn). Premium growth was curbed particularly by the significant appreciation of the euro against the US dollar and other currencies (e.g. in Asia), which continued in the third quarter. Adjusted to eliminate currency translation effects, premium income for the first nine months increased by 9.9%.

In life and health reinsurance, we recorded premium growth of 29.4% to €1.8bn (1.4bn) in the past quarter. From 1 January to 30 September we wrote gross premiums of €5.2bn (4.7bn), a rise of 9.1%. We expanded our premium volume through the acquisition of attractive new business, especially in the UK and North America.

In property-casualty reinsurance, the effects of changes in exchange rates even led to a reduction in premiums of 3.2% in the first three quarters. If exchange rates had remained the same, our premium volume would have risen. This growth, due to rate increases and new business, is especially noteworthy given the remediation of our portfolio and our consistent withdrawal from business that does not meet our pricing requirements in relation to the risks assumed.

Claims costs from natural catastrophes once more had an impact on our reinsurance result. In September, Hurricane Isabel swept across the US East Coast with wind speeds of up to 200km/h, cutting a path of destruction. Nevertheless, the Munich Re Group's claims burden from this event remained within reasonable bounds (current estimate: approximately €50m). At about the same time South Korea was struck by Maemi, the strongest typhoon measured there since records began in the year 1904. On the basis of present calculations, we will incur losses of up to €30m from this event. Owing to the location of its epicentre, the earthquake off the island of Hokkaido (Japan) on 26 September gave rise to only small losses, despite a magnitude of 8.0 on the Richter Scale.

Besides these natural catastrophes, 14 August 2003 saw the biggest power failure ever in the US North East and Canada, with around 50 million people affected. Although the losses for the economy were enormous, we estimate that the claims burden for the Munich Re Group will only be in the lower two-digit million range.

Despite these loss events, we were able to achieve a combined ratio of 99.3% (114.1%) in the third quarter. Natural catastrophes impacted the third-quarter figure with 1.8 percentage points. For the period since 1 January 2003, the combined ratio now totals 97.0% (127.3%). This amounts to an improvement of 8.7 percentage points compared with the same period last year, even after this has been adjusted to eliminate the effects of the reserve strengthening in 2002 at American Re and for the World Trade Center loss (a further 21.6 percentage points).

The investment result was also pleasing in the third quarter. It amounted to €750m (361m), compared with €1,921m (7,777m) in the period from 1 January to 30 September 2003. As expected, expenses for writedowns and losses on the disposal of securities were markedly lower in the third quarter than in the previous quarters and totalled €131m. In the first six months they had come to €714m.

The reinsurers' result before amortisation of goodwill amounted to €376m (–553m) in the third quarter and €1,258m (3,729m) in the first nine months. Their contribution to the overall result after tax was €241m (–229m) in the third quarter and €315m (4,673m) in the first three quarters.

Reinsurance		**Q1–3 2003**	**Q1–3 2002**	**Q3 2003**	**Q3 2002**
Gross premiums	€bn	19.1	19.1	6.2	6.0
Loss ratio non-life	%	70.9	100.8	73.4	88.2
Expense ratio non-life	%	26.1	26.5	25.9	25.9
Combined ratio non-life	%	97.0	127.3	99.3	114.1
Result before amortisation of goodwill	€m	1,258	3,729	376	–553

		30.9.2003	**31.12.2002**
Investments	€bn	75.3	68.6
Net underwriting provisions	€bn	58.4	55.3

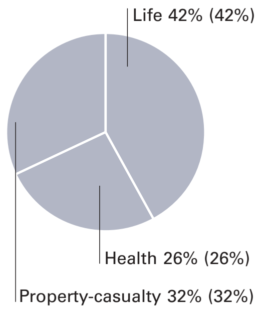
PRIMARY INSURANCE

- **Premium growth of 7.8% in the third quarter**
- **Another very pleasing combined ratio of 94.6%**
- **Extremely high tax expenditure of €684m for the first nine months**
- **Quarterly result before tax: –€53m**

Favourable experience in underwriting and steady growth marked the third-quarter performance of the primary insurers in the Munich Re Group: ERGO, Karlsruher and Europäische Reiseversicherung.

Their premium income rose by 7.8% in the third quarter to €4.1bn (3.8bn). In the first nine months, our primary insurers wrote premium income of €13.0bn (12.2bn), representing growth of 7.0%.

Gross premiums by class of insurance Q1–3



A large portion of this good development was again attributable to the life insurers. In the third quarter they increased their premium income by 9.0% to €1.8bn (1.7bn). In the first nine months they recorded premium growth of 7.2% to €5.5bn (5.1bn). This expansion has been fuelled by the gratifying trend in new business, especially in Germany, and by the business in force with index-linked premium adjustment.

In health insurance, premium income rose by 6.4% in the third quarter to €1.1bn (1.0bn). Since the beginning of the year, its premium volume has thus increased by 7.4% to €3.4bn (3.2bn). Growth in Germany has mainly derived from premium increases for business in force. New business in Germany, on the other hand, was unable to escape the climate of uncertainty engendered by the ongoing debate on proposals for the necessary health reform. In this debate, we continue to take the view that none of the alternatives currently being proposed – the introduction of a “citizens’ insurance scheme” or even a system with flat-rate per capita health insurance premiums – are suitable for solving the existential problems of the German healthcare system. The aim must be to build up a competitively oriented, funded system that can cope with the challenges posed by the population’s changing age structure.

In property-casualty insurance, premium income grew by 7.1% in the third quarter to €1.2bn (1.1bn). Premium written from January to September amounted to €4.1bn (3.9bn), or 6.4% more than in the same period last year. New business developed very positively in this segment, too, with nearly all lines showing strong growth. At 96.3%, the combined ratio for property-casualty business including legal expenses insurance is not only much lower than the previous year’s figure of 102.1% but is pleasingly well below the 100% mark. Excluding legal expenses insurance, the combined ratio amounts to 95.0% (102.0%).

Across all lines of business, our primary insurers are continuing to give priority to the profitable expansion of core fields of business and to increased efficiency. A decisive success factor here is their franchise strength, especially that of the ERGO Insurance Group. Our insurers' multi-channel distribution strategy, consistently expanded over the years, is built on several strong pillars. Besides the more than 20,000 independent insurance agents, multi-level marketing structures, numerous broker connections and direct selling via KarstadtQuelle Versicherungen, the exclusive cooperation with HypoVereinsbank is an important part of this strategy. This cooperation continued to develop well in the first nine months of 2003, and with new business of €272m (226m) even surpassed our ambitious targets.

In order to facilitate uniform administration processes and thus systematically realise further synergies, a common IT platform is being created in the ERGO Insurance Group. A large component of this has already been launched, albeit with a few teething troubles. As soon as the inevitable conversion problems involved in such a major project have been overcome, this common IT platform will enhance the ERGO Group's competitiveness and provide the basis for further substantial cost reductions. In addition, it will favour the consistent expansion of cross-selling.

Our primary insurers' investment result was positive again in the third quarter. It amounted to €1,745m (-1,887m), compared with €2,567m (526m) in the period from 1 January to 30 September 2003. As expected, third-quarter expenses for writedowns and losses on the disposal of securities were significantly lower than in the previous quarters in the primary insurance segment as well, amounting to €116m. In the first six months they had totalled €2,115m.

Despite these favourable developments, policyholders' bonuses in life insurance have to be adjusted to reflect the changes in the capital market environment. Given the significant guaranted interest rate, life insurance continues to be a highly attractive means of providing for old age. However, the concrete return promised by the insurer should exceed the legally required level by considerably less than hitherto in order to ensure from the shareholders' point of view appropriate and, above all, sustainable returns on the capital employed. We will continue to work hard, through a revised range of products and suitable marketing policy initiatives, to secure lasting profitability especially in life insurance.

The improved performance of our underwriting business is reflected in the result before amortisation of goodwill: it amounted to –€3m (–652m) in the third quarter and €64m (–537m) for the period from January to September. Our primary insurers' contribution to the Group's overall result after tax amounts to –€86m (–629m) for the third quarter and –€751m (–676m) for the first nine months. This clearly reflects the impact of tax expenditure, due particularly to the non-deductibility of writedowns and realised losses on equity investments in life and health insurance in conjunction with the special mechanisms of policyholders' profit sharing. The German Insurance Association (GDV) has warned several times of the serious consequences for the whole industry if the law is not changed. In its decision of 17 October, the German Bundestag initiated an amendment of the relevant tax laws; this has yet to be approved by the Bundesrat, however.

Primary insurance		**Q1–3 2003**	**Q1–3 2002**	**Q3 2003**	**Q3 2002**
Gross premiums	€bn	13.0	12.2	4.1	3.8
Loss ratio property-casualty	%	61.0	65.7	60.1	69.1
Expense ratio property-casualty	%	35.3	36.4	34.5	34.7
Combined ratio property-casualty	%	96.3	102.1	94.6	103.8
Result before amortisation of goodwill	€m	64	–537	–3	–652

		30.9.2003	**31.12.2002**
Investments	€bn	106.8	104.4
Net underwriting provisions	€bn	89.1	88.4

ASSET MANAGEMENT

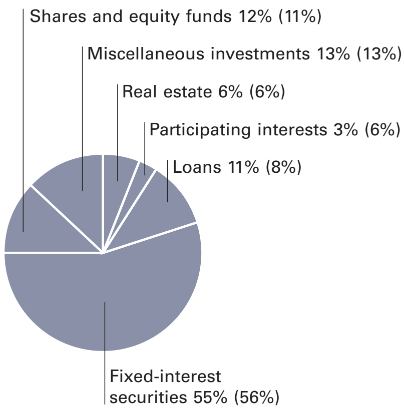
- **European and American stock markets move sideways**
- **US dollar loses ground against the euro and the Japanese yen**
- **Good progress in asset management for third parties**

The European and American stock markets showed only slight changes in the third quarter. At the end of September, the European share price index EURO STOXX 50 was some 1% lower than on 30 June 2003, though compared with the beginning of the year it had risen somewhat by 0.4%. By contrast, the S&P 500 Index, which tracks US blue chips, had gained almost 15% since the start of 2003. Also among the winners was the Japanese stock market. The Nikkei 225 Index rose by more than 12% in the quarter under review and recorded an increase of over 19% in the first nine months of the year.

Yields on government bonds moved upwards in the third quarter. At the end of September, interest on ten-year European and American government bonds stood at around 4%, representing a rise of some 20 and 40 basis points respectively. Yields on ten-year Japanese government bonds even climbed by a good half per cent to 1.4%.

The US dollar fell appreciably against the Japanese yen. By the end of the quarter, at ¥111, it had reached its lowest level since 2001. It also lost ground against the euro: whereas at the beginning of September the exchange rate for one euro was US$ 1.10, at the end of the quarter it was over US$ 1.16.

Investment mix
30.9.2003 (31.12.2002)



In our equity portfolios we took advantage of the lower volatilities on the capital markets and the more favourable prices that ensued to hedge against possible price collapses. We slightly reduced our equity exposure overall in the third quarter. We systematically continued our efforts to reduce the historically evolved concentration of our equity holdings in the banking and insurance sector. As part of this strategy, we lowered our shareholding in Allianz AG further both in the third quarter and afterwards and, at the beginning of October, sold our stake in Hypo Real Estate Holding AG, which had been created through a spin-off from HypoVereinsbank AG. Geographically, we cut back on our investment in European equities in favour of Japanese stocks. With these measures, we diversified our portfolio more strongly and reduced its sensitivity to sharp price fluctuations in individual markets.

In our bond portfolio, we have adjusted the duration, on the one hand in order to reduce interest rate risks and on the other hand in expectation of a continued slight rise in yields. If yields keep on increasing, we thus protect our equity capital against losses in market value and at the same time ensure ourselves the opportunity of reinvestment at higher interest rates. Our primary insurers are focusing on achieving a risk-adequate net return. In order to continue ensuring a high regular income, the average period to redemption of their bond portfolios has been increased.

The credit rating of bond issuers in our portfolio continues to be excellent overall. Around 95% of our bond holdings have a rating of A or better.

Our investment result for the third quarter amounted to €2,284m (–1,567m), with €1,592m coming from primary insurance and €689m from reinsurance. The volume of writedowns still necessary on securities available for sale was only small compared with the previous quarters (€85m). All in all, therefore, we have now largely dealt with the after-effects of the past years' weak stock markets in our securities available for sale.

In third-party business, our asset management subsidiary MEAG KAG was certainly successful in the acquisition of clients for retail and special funds. Planning figures were surpassed by more than 50% in the first nine months. The overall volume of assets managed for third parties by the Group asset managers totals more than €10bn.

Prospects

- Capital base strengthened
- Strong organic premium growth, but negative currency influences
- After-effects of bear market successfully absorbed
- Strong growth and improved result in primary insurance, with combined ratio remaining low
- Upward trend in reinsurance unbroken; likelihood of substantially improved combined ratio
- Positive pre-tax result, provided stock markets continue stable and exceptional loss events do not intervene

There are various reasons why the quarterly results of insurance companies, including Munich Re, are not a suitable 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. Last but not least, gains and losses on the disposal of investments and writedowns on investments do not follow a regular pattern. Consequently, our quarterly figures do not provide more than significant pointers to the result for the year that may be expected.

AGREEMENT WITH ALLIANZ

On 23 October 2003 Allianz and Munich Re announced that, by mutual agreement, they would be terminating their "Principles of Cooperation" with effect from 31 December 2003. Since the beginning of the nineties, both companies have taken significant steps to reorganise their groups (restructuring shareholdings and reducing their reciprocal stakes, for example). As a result of these measures, many of the issues governed by the "Principles of Cooperation" agreement have meanwhile been rendered effectively obsolete. The termination of the agreement is the logical, formal consequence of this development. However, the move will not affect reciprocal business relations between Allianz and Munich Re.

SHAREHOLDERS' EQUITY

Our shareholders' equity decreased marginally by €0.2bn to €14.9bn in the third quarter, thus substantially exceeding the end-of-year figure for 2002 (€13.9bn). The main reasons for the growth compared with the year-end figure were the successful performance of our underwriting business and the appreciation in the value of our investments. The negative impact of the strong euro, particularly when translating the equity capital of our North American subsidiaries, was easily offset by these factors.

In order to improve the composition of our capital base and enable us to take advantage of profitable business opportunities arising in reinsurance and primary insurance, the Board of Management decided on 16 October 2003, with the consent of the Supervisory Board on 17 October 2003, to carry out a capital increase in the form of a rights issue. The 50,912,946 new shares were underwritten by a syndicate of banks, led by Deutsche

Bank as the global coordinator and comprising HypoVereinsbank, Citigroup, Dresdner Bank and UBS as co-lead managers, at a subscription price of €78 per share subject to the usual market conditions. The new shares, which are fully entitled to dividend for the business year 2003, were offered at a subscription ratio of two for seven.

Munich Reinsurance Company raised nearly €4.0bn from this capital measure.

The rights issue was very well received by the capital market. Thus Munich Re's share price performed very satisfactorily in the period between the announcement of the transaction and the closing of the subscription period on 11 November 2003. Taking into account the adjustment for ex-rights quotation, the share price rose by 13.6%, thus clearly outstripping the increase in the DAX (6.5%) over the same period.

Provided the capital and foreign exchange markets maintain at least their level of mid-November and we are spared exceptional loss events, we will also be able to strengthen our shareholders' equity up to the end of the year from our own resources, on top of the funds raised from the capital increase.

GROWTH

Our premium growth in 2003 has been affected by mutually opposing factors: whereas currency influences have had negative repercussions, we have been able to further increase rate levels in insurance and reinsurance, in some cases considerably. We are consistently pursuing our quality-oriented acceptance policy, notwithstanding the improved market situation; we will not countenance either growth or adherence to business at the expense of profitability.

This applies particularly to reinsurance, where we have not only raised premiums again in regular treaty renewals but have also achieved durable improvements in conditions of coverage.

Our strong organic growth has been masked by the influence of exchange rates. Foreign-currency business plays a significant part in our reinsurance, with a share of approximately 65%, whereas in primary insurance it tends to be of negligible importance, accounting for only 3%. Consequently, a strong euro has the effect of curbing growth expressed in our balance sheet currency. However, as possible claims are incurred in the respective foreign currencies and we take care to cover our underwriting provisions with investments in the same or similar currency, such changes in exchange rates only have a slight effect on our result.

In primary insurance, we expect premiums to show an increase again in 2003, even after years of growth in excess of the market average.

Altogether, we anticipate that Group premium income will total around €40bn, which is about the same as last year. After three years with double-digit growth rates and in view of the negative exchange-rate influences, consolidation at this level represents a major success for us.

RESULT

The overall result will be determined by the underwriting result in primary insurance and reinsurance on the one hand and the investment result on the other. Owing to the after-effects of the bear market, the investment result for the business year 2003 is likely to remain below the results achieved in previous years. Writedowns and losses on the disposal of securities available for sale in the first nine months amounted to €3.1bn. Provided the capital markets remain at their end-of-September level until the end of the year, we are reckoning with comparatively small writedowns in the fourth quarter. However, the spin-off of Hypo Real Estate Holding AG from HypoVereinsbank and the subsequent sale of our Hypo Real Estate shares on 2 October 2003 resulted in a loss for us that will burden the result for the fourth quarter. By contrast, the gain on the sale of a 2% stake in Allianz will have a positive effect. Regular income from fixed-interest securities will decrease further in relation to volume, assuming that interest rates remain low.

Owing to the non-deductibility of writedowns and losses on the disposal of equity investments, we had to show tax expenses of €1.4bn in the first half year. The situation in life and health insurance, which has been exacerbated due to policyholders' profit-sharing, is overshadowed by this tax burden. Various discussions and legislation initiatives regarding this issue are currently in progress. We have made adequate provision, regardless of their outcome. In the event of a change in the law, immediate relief may be largely offset by the necessary provision for taxation in future years. This is because in life and health insurance – depending on the form of the solution finally decided upon – deferred taxes would have to be posted again for currently untaxed assets if taxation on income and expenses from equity investments were reintroduced. All in all, as things stand at present, no additional tax burdens will be incurred in the fourth quarter beyond the normal taxation of the profit earned; however, significant tax income resulting from an amendment to the law is not to be expected either. In other segments apart from life and health primary insurance, the currently applicable tax legislation works in our favour under normal capital market conditions, particularly if share prices rise, since all dividend income and gains on the disposal of equity investments are tax-free.

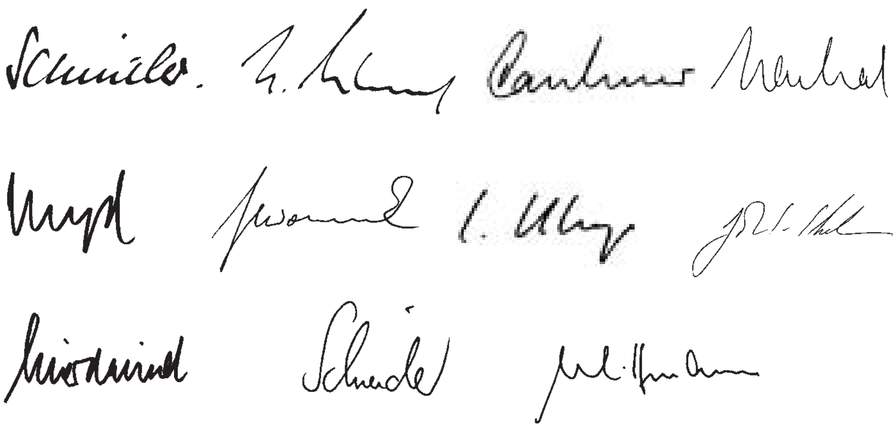
Our German life insurers already responded last year to the change in the capital market environment by lowering policyholders' bonuses. With the planned reduction in the guaranteed interest rate in Germany as at 1 January 2004, the government is also taking account of this development and providing insurers with a greater safety margin. As a result, we will be recalculating our rates and revising our range of products in order to enhance our profitability. In property-casualty insurance we are proceeding on the assumption that – given normal developments in the remaining weeks of the year – the loss ratio for 2003 will even improve a little further compared with last year. In addition, our primary insurers have taken measures to raise their efficiency. They are likely to achieve cost savings of up to €100m this year.

For our life reinsurance business, we expect the profitable trend to continue. We anticipate that embedded value operating earnings will exceed the growth target of 10% in relation to the embedded value at the end of 2002; the value of the new business should be around the very high level of last year. In property-casualty reinsurance business, our further improvements in prices and conditions are making themselves felt. Presupposing a normal cost burden from natural catastrophes and other major losses, the combined ratio should remain below the 100% mark over the rest of the business year.

To sum up, therefore, the Group result for 2003 will be subject to countervailing influences: on the one hand, writedowns and losses on disposals, in particular the loss on the sale of Hypo Real Estate shares, and high tax expenditure will have an adverse impact; on the other hand, the sale of Allianz shares and the good performance of our underwriting business will have a distinctly positive effect on the figures. Proceeding from a deficit for the first nine months of €451m, we expect – assuming normal claims experience and stable capital markets – a loss after tax for the business year 2003 purely due to the non-deductibility of a large portion of the writedowns and losses on the disposal of shares. We anticipate that the pre-tax result will show a very clear profit.

Munich, November 2003

The Board of Management



Consolidated balance sheet as at 30 September 2003

				31.12.2002	Change	
ASSETS	**€m**	**€m**	**€m**	**€m**	**€m**	**%**
A. Intangible assets						
I. Goodwill		4,051		4,441	–390	–8.8
II. Other intangible assets		1,214		1,336	–122	–9.1
			5,265	5,777	–512	–8,9
B. Investments						
I. Real estate		10,098		9,848	250	2.5
II. Investments in affiliated enterprises and associated enterprises		5,398		9,601	–4,203	–43.8
III. Loans		17,494		12,644	4,850	38.4
IV. Other securities						
1. Held to maturity	768			852	–84	–9.9
2. Available for sale	111,789			106,175	5,614	5.3
3. Held for trading	845			452	393	86.9
		113,402		107,479	5,923	5.5
V. Other investments						
1. Deposits retained on assumed reinsurance	14,787			12,911	1,876	14.5
2. Miscellaneous	3,826			3,092	734	23.7
		18,613		16,003	2,610	16.3
			165,005	155,575	9,430	6.1
C. Investments for the benefit of life insurance policyholders who bear the investment risk			846	703	143	20.3
D. Ceded share of underwriting provisions			9,305	10,230	–925	–9.0
E. Receivables			9,811	8,871	940	10.6
F. Cash with banks, cheques and cash in hand			3,749	2,735	1,014	37.1
G. Deferred acquisition costs			7,755	7,451	304	4.1
H. Deferred tax			4,633	4,067	566	13.9
I. Other assets			829	1,032	–203	–19.7
Total assets			207,198	196,441	10,757	5.5

			31.12.2002	Change	
EQUITY AND LIABILITIES	**€m**	**€m**	**€m**	**€m**	**%**
A. Shareholders' equity					
I. Issued capital and capital reserve	3,447		3,447	–	–
II. Revenue reserves	9,670		10,008	–338	–3.4
III. Other reserves	2,232		–588	2,820	–
IV. Consolidated profit	–451		1,081	–1,532	–
		14,898	13,948	950	6.8
B. Minority interests		531	532	–1	–0.2
C. Subordinated liabilities		3,392	–	3,392	–
D. Gross underwriting provisions					
I. Unearned premiums	6,899		6,158	741	12.0
II. Provision for future policy benefits	98,568		96,088	2,480	2.6
III. Provision for outstanding claims	44,250		42,792	1,458	3.4
IV. Other underwriting provisions	6,189		7,460	–1.271	–17.0
		155,906	152,498	3,408	2.2
E. Gross underwriting provisions for life insurance policies where the investment risk is borne by the policyholders		845	698	147	21.1
F. Other accrued liabilities		3,384	3,197	187	5.8
G. Liabilities					
I. Notes and debentures	2,214		2,205	9	0.4
II. Other liabilities	19,458		18,467	991	5.4
		21,672	20,672	1,000	4.8
H. Deferred tax liabilities		6,415	4,738	1,677	35.4
I. Other deferred items		155	158	–3	–1.9
Total equity and liabilities		207,198	196,441	10,757	5.5

Consolidated income statement for the period 1 January to 30 September 2003

	Q1–3 2003	Q1–3 2002	Change	
ITEMS	**€m**	**€m**	**€m**	**%**
1. Gross premiums written	30,658	29,611	1,047	3.5
2. Net earned premiums	27,726	26,459	1,267	4.8
3. Investment result	4,217	7,407	–3,190	–43.1
4. Other income	890	1,026	–136	–13.3
Total income (2–4)	32,833	34,892	–2,059	–5.9
5. Net expenses for claims and benefits	23,204	24,443	–1,239	–5.1
6. Net operating expenses	6,683	6,416	267	4.2
7. Other expenses	1,644	1,587	57	3.6
Total expenses (5–7)	31,531	32,446	–915	–2.8
8. Result before amortisation of goodwill	**1,302**	**2,446**	**–1,144**	**–46.8**
9. Amortisation of goodwill	240	245	–5	–2.0
10. Operating result before tax	1,062	2,201	–1,139	–51.7
11. Tax	1,541	–989	2,530	–
12. Minority interests in earnings	–28	–49	21	42.9
13. Net profit	**–451**	**3,239**	**–3,690**	**–**

	Q1–3 2003	Q1–3 2002	Change	
	€	**€**	**€**	**%**
Earnings per share	–2.53	18.25	–20.78	–

Consolidated income statement for the period 1 July to 30 September 2003

	Q3 2003	Q3 2002	Change	
ITEMS	**€m**	**€m**	**€m**	**%**
1. Gross premiums written	9,898	9,163	735	8.0
2. Net earned premiums	9,205	8,633	572	6.6
3. Investment result	2,284	–1,567	3.851	–
4. Other income	391	156	235	150.6
Total income (2–4)	11,880	7,222	4,658	64.5
5. Net expenses for claims and benefits	8,708	5,826	2,882	49.5
6. Net operating expenses	2,278	2,146	132	6.2
7. Other expenses	531	454	77	17.0
Total expenses (5–7)	11,517	8,426	3,091	36.7
8. Result before amortisation of goodwill	**363**	**–1,204**	**1,567**	**–**
9. Amortisation of goodwill	78	81	–3	–3.7
10. Operating result before tax	285	–1,285	1,570	–
11. Tax	123	–374	497	–
12. Minority interests in earnings	10	–52	62	–
13. Net profit	**152**	**–859**	**1,011**	**–**

	Q3 2003	Q3 2002	Change	
	€	**€**	**€**	**%**
Earnings per share	0.85	–4.82	5.67	–

Consolidated income statement quarterly breakdown

	Q3 2003	Q2 2003	Q1 2003	Q4 2002	Q3 2002	Q2 2002	Q1 2002
ITEMS	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**
1. Gross premiums written	9,898	9,934	10,826	10,403	9,163	9,707	10,741
2. Net earned premiums	9,205	9,030	9,491	9,847	8,633	9,070	8,756
3. Investment result	2,284	1,717	216	–1,802	–1,567	2,047	6,927
4. Other income	391	206	293	317	156	652	218
Total income (2–4)	11,880	10,953	10,000	8,362	7,222	11,769	15,901
5. Net expenses for claims and benefits	8,708	7,534	6,962	6,686	5,826	10,192	8,425
6. Net operating expenses	2,278	2,118	2,287	2,517	2,146	2,120	2,150
7. Other expenses	531	485	628	796	454	688	445
Total expenses (5–7)	11,517	10,137	9,877	9,999	8,426	13,000	11,020
8. Result before amortisation of goodwill	**363**	**816**	**123**	**–1,637**	**–1,204**	**–1,231**	**4,881**
9. Amortisation of goodwill	78	79	83	126	81	90	74
10. Operating result before tax	285	737	40	–1,763	–1,285	–1,321	4,807
11. Tax	123	1,120	298	415	–374	–930	315
12. Minority interests in earnings	10	–18	–20	–20	–52	–8	11
13. Net profit	**152**	**–365**	**–238**	**–2,158**	**–859**	**–383**	**4,481**

	Q3 2003	Q2 2003	Q1 2003	Q4 2002	Q3 2002	Q2 2002	Q1 2002
	€	**€**	**€**	**€**	**€**	**€**	**€**
Earnings per share	0.85	–2.05	–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 30 September 2003

	Q1–3 2003 €m	Q1–3 2002 €m
Net profit, including minority interests in earnings	**–479**	**3,190**
Net change in underwriting provisions	4,480	6,085
Change in deferred acquisition costs	–303	–234
Change in deposits retained and accounts receivable and payable	–2,740	–895
Change in other receivables and liabilities	282	–3,298
Gains and losses on the disposal of investments	–742	–5,647
Change in securities held for trading	–393	–27
Change in other balance sheet items	347	613
Other income/expenses without impact on cash flow	1,347	1,250
I. Cash flows from operating activities	**1,799**	**1,037**
Change from the acquisition and sale of consolidated enterprises	–4	–498
Change from the acquisition, sale and maturities of other investments	–4,607	171
Change from the acquisition and sale of investments for unit-linked life insurance	69	–66
Other	–404	–616
II. Cash flows from investing activities	**–4,946**	**–1,009**
Inflows from increases in capital	–	280
Dividend payments	–229	–230
Change from other financing activities	4,387	626
III. Cash flows from financing activities	**4,158**	**676**
Cash flows for the reporting period (I+II+III)	**1,011**	**704**
Effects of exchange rate changes on cash	3	–8
Cash at the beginning of the business year	2,735	1,866
Cash at the end of the reporting period	3,749	2,562
Additional information		
Tax on earnings (net)	138	46
Interest paid	286	195

Segment reporting

ASSETS	Reinsurance			
	Life and health		Property-casualty	
	30.9.2003 €m	31.12.2002 €m	30.9.2003 €m	31.12.2002 €m
A. Intangible assets	247	235	1,504	1,710
B. Investments				
I. Real estate	1,069	968	1,438	1,428
II. Investments in affiliated enterprises and associated enterprises	3,331	4,643	4,120	6,216
III. Loans	71	70	64	70
IV. Other securities				
1. Held to maturity	–	–	–	–
2. Available for sale	15,124	10,980	27,686	24,007
3. Held for trading	109	27	186	119
	15,233	11,007	27,872	24,126
V. Other investments	9,630	8,220	12,460	11,811
	29,334	24,908	45,954	43,651
C. Investments for the benefit of life insurance policyholders who bear the investment risk	–	–	–	–
D. Ceded share of underwriting provisions	1,944	2,020	5,008	5,655
E. Other segment assets	4,763	4,421	10,038	8,907
Total segment assets	**36,288**	**31,584**	**62,504**	**59,923**

Primary insurance				Asset management		Consolidation		Total	
Life and health		Property-casualty							
30.9.2003 €m	31.12.2002 €m	30.9.2003 €m	31.12.2002 €m	30.9.2003 €m	31.12.2002 €m	30.9.2003 €m	31.12.2002 €m	30.9.2003 €m	31.12.2002 €m
2,415	2,495	1,085	1,314	16	25	–2	–2	5,265	5,777
6,820	6,677	746	748	–	–	25	27	10,098	9,848
3,863	4,606	3,195	3,267	77	78	–9,188	–9,209	5,398	9,601
18,009	13,512	904	557	353	415	–1,907	–1,980	17,494	12,644
736	814	32	38	–	–	–	–	768	852
63,211	65,345	5,704	5,736	64	107	–	–	111,789	106,175
342	193	207	112	1	1	–	–	845	452
64,289	66,352	5,943	5,886	65	108	–	–	113,402	107,479
1,781	1,610	386	478	735	222	–6,379	–6,338	18,613	16,003
94,762	92,757	11,174	10,936	1,230	823	–17,449	–17,500	165,005	155,575
846	703	–	–	–	–	–	–	846	703
8,042	7,929	1,657	1,637	–	–	–7,346	–7,011	9,305	10,230
10,446	9,395	2,883	2,817	615	208	–1,968	–1,592	26,777	24,156
116,511	**113,279**	**16,799**	**16,704**	**1,861**	**1,056**	**–26,765**	**–26,105**	**207,198**	**196,441**

Segment reporting

EQUITY AND LIABILITIES	Reinsurance			
	Life and health		Property-casualty	
	30.9.2003 €m	31.12.2002 €m	30.9.2003 €m	31.12.2002 €m
A. Subordinated liabilities	1,540	–	1,852	–
B. Gross underwriting provisions				
I. Unearned premiums	292	180	5,389	5,076
II. Provision for future policy benefits	19,170	18,641	642	632
III. Provision for outstanding claims	4,962	2,803	34,370	35,281
IV. Other underwriting provisions	315	161	202	165
	24,739	21,785	40,603	41,154
C. Gross underwriting provisions for life insurance policies where the investment risk is borne by the policyholders	–	–	–	–
D. Other accrued liabilities	355	410	920	1,063
E. Other segment liabilities	3,366	3,196	10,071	9,779
Total segment liabilities	**30,000**	**25,391**	**53,446**	**51,996**

Primary insurance				Asset management		Consolidation		Total	
Life and health		Property-casualty							
30.9.2003 €m	**31.12.2002 €m**	**30.9.2003 €m**	**31.12.2002 €m**	**30.9.2003 €m**	**31.12.2002 €m**	**30.9.2003 €m**	**31.12.2002 €m**	**30.9.2003 €m**	**31.12.2002 €m**
–	–	–	–	–	–	–	–	3,392	–
109	82	1,372	1,062	–	–	–263	–242	6,899	6,158
84,703	82,389	98	90	–	–	–6,045	–5,664	98,568	96,088
1,419	1,380	4,454	4,393	–	–	–955	–1,065	44,250	42,792
5,641	7,731	121	104	–	–	–90	–701	6,189	7,460
91,872	91,582	6,045	5,649	–	–	–7,353	–7,672	155,906	152,498
834	690	–	–	–	–	11	8	845	698
1,080	680	993	1,003	49	55	–13	–14	3,384	3,197
19,539	16,424	5,194	5,250	1,559	736	–11,487	–9,817	28,242	25,568
113,325	**109,376**	**12,232**	**11,902**	**1,608**	**791**	**–18,842**	**–17,495**	**191,769**	**181,961**
						Shareholders' equity*		**15,429**	**14,480**
						Total equity and liabilities		**207,198**	**196,441**

* Group shareholders' equity and minority interests.

Segment reporting

INCOME STATEMENT 1.1–30.9.2003	**Reinsurance**			
	Life and health		**Property-casualty**	
	Q1–3 2003 €m	**Q1–3 2002 €m**	**Q1–3 2003 €m**	**Q1–3 2002 €m**
1. Gross premiums written	5,173	4,740	13,907	14,367
Thereof:				
– From insurance transactions with other segments	683	827	766	840
– From insurance transactions with external third parties	4,490	3,913	13,141	13,527
2. Net earned premiums	4,687	4,328	12,250	12,063
3. Investment result	840	1,887	1,081	5,890
Thereof:				
– Income from associated enterprises	–27	1,097	–30	4,689
4. Other income	89	147	292	398
Total income (2–4)	5,616	6,362	13,623	18,351
5. Net expenses for claims and benefits	4,027	3,473	8,684	12,362
6. Net operating expenses	1,328	1,153	3,188	3,193
7. Other expenses	182	186	572	617
Total expenses (5–7)	5,537	4,812	12,444	16,172
8. Result before amortisation of goodwill	**79**	**1,550**	**1,179**	**2,179**
9. Amortisation of goodwill	1	1	81	99
10. Operating result before tax	78	1,549	1,098	2,080
11. Tax	155	102	704	–1,142
12. Minority interests in earnings	–	–1	2	–3
13. Net profit	**–77**	**1,448**	**392**	**3,225**

Primary insurance				Asset management		Consolidation		Total	
Life and health		Property-casualty							
Q1–3 2003 €m	Q1–3 2002 €m	Q1–3 2003 €m	Q1–3 2002 €m	Q1–3 2003 €m	Q1–3 2002 €m	Q1–3 2003 €m	Q1–3 2002 €m	Q1–3 2003 €m	Q1–3 2002 €m
8,937	8,331	4,102	3,854	–	–	–1,461	–1,681	30,658	29,611
7	14	5	–	–	–	–1,461	–1,681	–	–
8,930	8,317	4,097	3,854	–	–	–	–	30,658	29,611
8,029	7,537	2,760	2,533	–	–	–	–2	27,726	26,459
2,527	657	40	–131	28	21	–299	–917	4,217	7,407
–36	654	–15	16	10	11	–	–	–98	6,467
497	486	563	601	170	160	721	–766	890	1,026
11,053	8,680	3,363	3,003	198	181	–1,020	–1,685	32,833	34,892
8,786	7,014	1,735	1,682	–	–	–28	–88	23,204	24,443
1,185	1,152	976	922	–	–	6	–4	6,683	6,416
914	658	756	792	166	140	–946	–806	1,644	1,587
10,885	8,824	3,467	3,396	166	140	–968	–898	31,531	32,446
168	**–144**	**–104**	**–393**	**32**	**41**	**–52**	**–787**	**1,302**	**2,446**
74	69	83	75	1	1	–	–	240	245
94	–213	–187	–468	31	40	–52	–787	1,062	2,201
628	77	56	–40	–2	14	–	–	1,541	–989
–22	–17	–4	–25	–2	–	–2	–3	–28	–49
–512	**–273**	**–239**	**–403**	**35**	**26**	**–50**	**–784**	**–451**	**3,239**

Segment reporting

INCOME STATEMENT 1.7–30.9.2003	**Reinsurance**			
	Life and health		**Property-casualty**	
	Q3 2003 €m	**Q3 2002 €m**	**Q3 2003 €m**	**Q3 2002 €m**
1. Gross premiums written	1,787	1,381	4,374	4,570
Thereof:				
– From insurance transactions with other segments	211	432	158	168
– From insurance transactions with external third parties	1,576	949	4,216	4,402
2. Net earned premiums	1,664	1,394	3,882	3,743
3. Investment result	308	42	442	319
Thereof:				
– Income from associated enterprises	2	17	–	415
4. Other income	49	15	133	44
Total income (2–4)	2,021	1,451	4,457	4,106
5. Net expenses for claims and benefits	1,451	1,188	2,853	3,320
6. Net operating expenses	584	407	994	973
7. Other expenses	53	51	167	171
Total expenses (5–7)	2,088	1,646	4,014	4,464
8. Result before amortisation of goodwill	**–67**	**–195**	**443**	**–358**
9. Amortisation of goodwill	–	–	27	31
10. Operating result before tax	–67	–195	416	–389
11. Tax	17	–55	90	–297
12. Minority interests in earnings	–	–1	1	–2
13. Net profit	**–84**	**–139**	**325**	**–90**

Primary insurance				Asset management		Consolidation		Total	
Life and health		Property-casualty							
Q3 2003 €m	Q3 2002 €m	Q3 2003 €m	Q3 2002 €m	Q3 2003 €m	Q3 2002 €m	Q3 2003 €m	Q3 2002 €m	Q3 2003 €m	Q3 2002 €m
2,958	2,738	1,155	1,078	–	–	–376	–604	9,898	9,163
3	4	4	–	–	–	–376	–604	–	–
2,955	2,734	1,151	1,078	–	–	–	–	9,898	9,163
2,698	2,615	961	891	–	–	–	–10	9,205	8,633
1,673	–1,655	72	–232	7	4	–218	–45	2,284	–1,567
–16	–21	–	2	1	1	–	–	–13	414
150	148	241	180	55	50	–237	–281	391	156
4,521	1,108	1,274	839	62	54	–455	–336	11,880	7,222
3,817	739	597	622	–	–	–10	–43	8,708	5,826
365	472	332	309	–	–	3	–15	2,278	2,146
386	180	301	277	59	48	–435	–273	531	454
4,568	1,391	1,230	1,208	59	48	–442	–331	11,517	8,426
–47	**–283**	**44**	**–369**	**3**	**6**	**–13**	**–5**	**363**	**–1,204**
24	23	26	26	1	1	–	–	78	81
–71	–306	18	–395	2	5	–13	–5	285	–1,285
–9	23	32	–46	–7	1	–	–	123	–374
6	–23	4	–26	–	–	–1	–	10	–52
–68	**–306**	**–18**	**–323**	**9**	**4**	**–12**	**–5**	**152**	**–859**

Segment reporting

INVESTMENTS*	Reinsurers		Primary insurers		Asset management		Total	
	30.9.2003 €m	31.12.2002 €m	30.9.2003 €m	31.12.2002 €m	30.9.2003 €m	31.12.2002 €m	30.9.2003 €m	31.12.2002 €m
Europe	37,597	33,203	99,535	97,412	813	351	137,945	130,966
North America	22,552	20,679	1,516	1,302	61	50	24,129	22,031
Asia and Australasia	2,177	1,818	379	343	21	22	2,577	2,183
Africa, Near and Middle East	611	553	86	64	–	–	697	617
Latin America	396	403	99	70	8	8	503	481
Total	63,333	56,656	101,615	99,191	903	431	165,851	156,278

* After elimination of intra-Group transactions across segments.

GROSS PREMIUMS WRITTEN*

1.1–30.9.2003	Reinsurers		Primary insurers		Total	
	Q1–3 2003 €m	Q1–3 2002 €m	Q1–3 2003 €m	Q1–3 2002 €m	Q1–3 2003 €m	Q1–3 2002 €m
Europe	9,970	9,049	12,769	11,930	22,739	20,979
North America	5,614	6,036	92	155	5,706	6,191
Asia and Australasia	1,123	1,209	69	29	1,192	1,238
Africa, Near and Middle East	514	496	89	44	603	540
Latin America	410	650	8	13	418	663
Total	17,631	17,440	13,027	12,171	30,658	29,611

* After elimination of intra-Group reinsurance across segments.

1.7–30.9.2003	Reinsurers		Primary insurers		Total	
	Q3 2003 €m	Q3 2002 €m	Q3 2003 €m	Q3 2002 €m	Q3 2003 €m	Q3 2002 €m
Europe	3,204	2,663	4,032	3,779	7,236	6,442
North America	1,879	1,899	26	17	1,905	1,916
Asia and Australasia	399	440	20	3	419	443
Africa, Near and Middle East	161	141	28	11	189	152
Latin America	149	208	–	2	149	210
Total	5,792	5,351	4,106	3,812	9,898	9,163

* After elimination of intra-Group reinsurance across segments.

Notes

Accounting and valuation policies
This quarterly report as at 30 September 2003 has been prepared in accordance with 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 nine 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	
	30.9.2003	**31.12.2002**	**Q1–3 2003**	**Q1–3 2002**
Australian dollar	1.72055	1.86360	1.76443	1.72020
Canadian dollar	1.56375	1.65790	1.58757	1.45552
Pound sterling	0.70095	0.65180	0.69032	0.62628
Rand	8.11110	9.00440	8.69059	9.9893
Swiss franc	1.53795	1.45100	1.50972	1.46708
US dollar	1.16455	1.04940	1.11213	0.92717
Yen	130.0980	124.5320	131.5210	116.6490

Intangible assets

All figures in €m	30.9.2003	31.12.2002
I. Goodwill	4,051	4,441
II. Other intangible assets	1,214	1,336
– Software	192	312
– Purchased insurance portfolios	861	913
– Other	161	111
Total	5,265	5,777

Other securities, available for sale

	Carrying amounts		Unrealised gains/losses		Amortised cost	
All figures in €m	**30.9.2003**	**31.12.2002**	**30.9.2003**	**31.12.2002**	**30.9.2003**	**31.12.2002**
Fixed-interest securities	90,230	86,676	2,958	3,763	87,272	82,913
Non-fixed-interest securities						
– Shares	18,961	16,788	1,835	–2,671	17,126	19,459
– Investment funds	1,762	1,939	30	–255	1,732	2,194
– Other	836	772	161	209	675	563
	21,559	19,499	2,026	–2,717	19,533	22,216
Total	111,789	106,175	4,984	1,046	106,805	105,129

Changes in shareholders' equity

All figures in €m	Issued capital	Capital reserve	Revenue reserves	Other reserves	Consolidated profit	Total share-holders' equity
Status at 31.12.2001	453	2,714	11,522	4,418	250	19,357
Changes in exchange rates	–	–	–797	–6	–3	–806
Capital increase	4	276	–	–	–	280
Allocation to revenue reserves	–	–	26	–	–26	–
Change in consolidated group	–	–	–129	–9	–	–138
Change resulting from valuation at equity	–	–	–482	–1,171	–	–1,653
Unrealised gains and losses on other securities	–	–	–	–3,289	–	–3,289
Consolidated net profit	–	–	–	–	3,239	3,239
Share buy-backs	–	–	–91	–	–	–91
Profit distribution	–	–	–	–	–221	–221
Other changes	–	–	–33	–	–	–33
Status at 30.9.2002	457	2,990	10,016	–57	3,239	16,645
Status at 31.12.2002	457	2,990	10,008	–588	1,081	13,948
Changes in exchange rates	–	–	–759	–22	199	–582
Allocation to revenue reserves	–	–	1,057	–	–1,057	–
Change resulting from valuation at equity	–	–	–667	–197	–	–864
Unrealised gains and losses on other securities	–	–	–	3,039	–	3,039
Consolidated net profit	–	–	–	–	–451	–451
Profit distribution	–	–	–	–	–223	–223
Other changes	–	–	31	–	–	31
Status at 30.9.2003	457	2,990	9,670	2,232	–451	14,898

Minority interests

These are mainly minority interests in the ERGO Insurance Group.

All figures in €m	30.9.2003	31.12.2002
Unrealised gains and losses	16	7
Consolidated profit	–28	–69
Other equity components	543	594
Total	531	532

Subordinated liabilities

All figures in €m	30.9.2003	31.12.2002
Munich Re Finance B.V., Amsterdam 6.75%, €3,000m, Bonds 2003/2023 Rating: A–	2,968	–
Munich Re Finance B.V., Amsterdam 7.625%, £300m, Bonds 2003/2028 Rating: A–	424	–
Total	3,392	–

Other provisions

With effect from 28 July 2003 Munich Re set up a contractual trust agreement in the form of a two-way trust for its pension obligations for employees. In this connection around €334m was irrevocably transferred to the pension trustee, who manages the assets for Munich Re in accordance with its instructions within the framework of a mandate agreement with MEAG. This transaction means that the amount transferred to the pension trustee is removed from Munich Re's balance sheet as from 30 September in accordance with IAS 19.

Notes and debentures

All figures in €m	30.9.2003	31.12.2002
American Re Corporation, Princeton 7.45%, US$ 500m, Senior Notes 1996/2026 Rating: BBB	428	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: A	625	609
Munich Reinsurance Company, Munich 1.0%, €1,150m, Bonds Exchangeable into Allianz AG Shares 2000/2005 Rating: A+	1,152	1,111
Hestia Investment Organiczona, Sopot 7.3%, PLN 42.1m, Zero Coupon Bonds 2002/2003	9	10
Total	2,214	2,205

Investment result

All figures in €m	Q1–3 2003	Q3 2003	Q1–3 2002	Q3 2002
Real estate	393	117	409	162
Investments in affiliated enterprises	11	6	196	–1
Investments in associated enterprises	–98	–13	6,467	414
Mortgage loans and other loans	664	236	504	135
Other securities held to maturity	32	10	28	4
Other securities available for sale				
– Fixed-interest	4,637	1,658	3,381	1,273
– Non-fixed-interest	–1,477	139	–3,562	–3,320
Other securities held for trading				
– Fixed-interest	68	33	33	1
– Non-fixed-interest	–19	97	–154	–160
Other investments	382	130	606	226
Expenses for the management of investments, other expenses	376	129	501	301
Total	4,217	2,284	7,407	–1,567

1.1–30.9.2003	Reinsurance				Primary insurance				Asset management		Total	
	Life and health		Property-casualty		Life and health		Property-casualty					
All figures in €m*	Q1–3 2003	Q1–3 2002	Q1–3 2003	Q1–3 2002	Q1–3 2003	Q1–3 2002	Q1–3 2003	Q1–3 2002	Q1–3 2003	Q1–3 2002	Q1–3 2003	Q1–3 2002
Investment income												
Regular income	971	672	1,040	2,234	3,391	3,506	238	276	16	11	5,656	6,699
Income from write-ups	69	44	279	142	222	110	7	4	–	5	577	305
Gains on the disposal of investments	122	1,510	673	4,721	1,938	1,623	72	119	4	3	2,809	7,976
Other income	–	–	–	–	28	5	–	–	–	–	28	5
	1,162	2,226	1,992	7,097	5,579	5,244	317	399	20	19	9,070	14,985
Investment expenses												
Writedowns on investments	123	356	514	1,170	1,375	2,768	107	338	–	5	2,119	4,637
Losses on the disposal of investments	88	136	433	444	1,404	1,585	141	163	1	1	2,067	2,329
Other expenses	50	44	228	157	357	367	27	35	5	9	667	612
	261	536	1,175	1,771	3,136	4,720	275	536	6	15	4,853	7,578
Total	901	1,690	817	5,326	2,443	524	42	–137	14	4	4,217	7,407

* After elimination of intra-Group transactions across segments.

1.7–30.9.2003	Reinsurance				Primary insurance				Asset management		Total	
	Life and health		Property-casualty		Life and health		Property-casualty					
All figures in €m*	Q3 2003	Q3 2002	Q3 2003	Q3 2002	Q3 2003	Q3 2002	Q3 2003	Q3 2002	Q3 2003	Q3 2002	Q3 2003	Q3 2002
Investment income												
Regular income	332	164	321	605	1,073	1,134	73	84	4	6	1,803	1,993
Income from write-ups	14	10	39	40	139	78	2	4	–	5	194	137
Gains on the disposal of investments	46	65	227	391	708	368	14	36	–	2	995	862
Other income	–	–	–	–	10	–	–	–	–	–	10	–
	392	239	587	1,036	1,930	1,580	89	124	4	13	3,002	2,992
Investment expenses												
Writedowns on investments	20	155	49	531	135	1,888	8	231	–	–	212	2,805
Losses on the disposal of investments	19	29	112	108	155	1,198	4	104	–	–	290	1,439
Other expenses	19	27	71	76	123	187	2	22	1	3	216	315
	58	211	232	715	413	3,273	14	357	1	3	718	4,559
Total	334	28	355	321	1,517	–1,693	75	–233	3	10	2,284	–1,567

* After elimination of intra-Group transactions across segments.

Net expenses for claims and benefits

1.1–30.9.2003	Reinsurance				Primary insurance				Total	
	Life and health		Property-casualty		Life and health		Property-casualty			
All figures in €m*	Q1–3 2003	Q1–3 2002	Q1–3 2003	Q1–3 2002	Q1–3 2003	Q1–3 2002	Q1–3 2003	Q1–3 2002	Q1–3 2003	Q1–3 2002
Gross	3,716	2,956	8,875	12,923	9,627	7,840	2,295	2,435	24,513	26,154
Ceded share	304	259	426	1,041	256	113	323	298	1,309	1,711
Net	3,412	2,697	8,449	11,882	9,371	7,727	1,972	2,137	23,204	24,443

* After elimination of intra-Group transactions across segments.

1.7–30.9.2003	Reinsurance				Primary insurance				Total	
	Life and health		Property-casualty		Life and health		Property-casualty			
All figures in €m*	Q3 2003	Q3 2002	Q3 2003	Q3 2002	Q3 2003	Q3 2002	Q3 2003	Q3 2002	Q3 2003	Q3 2002
Gross	1,411	801	2,758	3,441	4,048	1,1180	767	892	8,984	6,314
Ceded share	98	46	136	195	96	30	–54	217	276	488
Net	1,313	755	2,622	3,246	3,952	1,150	821	675	8,708	5,826

* After elimination of intra-Group transactions across segments.

Net operating expenses

1.1–30.9.2003	Reinsurance				Primary insurance				Total	
	Life and health		Property-casualty		Life and health		Property-casualty			
All figures in €m*	Q1–3 2003	Q1–3 2002	Q1–3 2003	Q1–3 2002	Q1–3 2003	Q1–3 2002	Q1–3 2003	Q1–3 2002	Q1–3 2003	Q1–3 2002
Gross	1,272	1,407	3,245	3,488	1,577	1,222	1,372	1,206	7,466	7,323
Ceded share	118	182	223	369	200	142	242	214	783	907
Net	1,154	1,225	3,022	3,119	1,377	1,080	1,130	992	6,683	6,416

* After elimination of intra-Group transactions across segments.

1.7–30.9.2003	Reinsurance				Primary insurance				Total	
	Life and health		Property-casualty		Life and health		Property-casualty			
All figures in €m*	Q3 2003	Q3 2002	Q3 2003	Q3 2002	Q3 2003	Q3 2002	Q3 2003	Q3 2002	Q3 2003	Q3 2002
Gross	522	414	1,025	1,088	550	478	463	433	2,560	2,413
Ceded share	28	10	84	178	93	8	77	71	282	267
Net	494	404	941	910	457	470	386	362	2,278	2,146

* After elimination of intra-Group transactions across segments.

Number of staff

The number of staff employed by the Group as at 30 September 2003 totalled 30,644 (31,063) in Germany and 10,700 (10,333) in other countries.

	30.9.2003	31.12.2002
Reinsurance companies	6,102	5,836
Primary insurance companies	34,619	34,924
Asset management	623	636
Total	41,344	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. As a result of their participating interest in Protector Lebensversicherungs-AG, the German life insurance companies of our Group are obliged to make benefit commitments commensurate with their total market share of 12.9%. 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.

		Q1–3 2003	Q1–3 2002	Q3 2003	Q3 2002
Net income	€m	–451	3,239	152	–859
Weighted average number of shares		178,330,791	177,479,630	178,330,546	178,358,286
Earnings per share	€	–2.53	18.25	0.85	–4.82

Important dates

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).

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