

3/2008

Munich Re Group Quarterly Report



Münchener Rück
Munich Re Group

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(Chairman)

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Key figures (IFRS)

Munich Re Group							
		Q1–3 2008	Q1–3 2007	Change %	Q3 2008	Q3 2007	Change %
Gross premiums written	€m	28,127	28,076	0.2	9,270	9,148	1.3
Investment result	€m	3,937	7,636	-48.4	674	1,990	-66.1
Operating result	€m	2,434	3,980	-38.8	260	1,132	-77.0
Taxes on income	€m	744	394	88.8	157	-173	-
Consolidated result	€m	1,418	3,348	-57.6	12	1,216	-99.0
Thereof attributable to minority interests	€m	37	54	-31.5	5	20	-75.0
Earnings per share	€	6.82	15.15	-55.0	0.03	5.63	-99.5
Combined ratio							
Reinsurance property-casualty	%	100.2	98.0		101.3	97.1	
Primary insurance property-casualty	%	90.2	92.9		88.7	92.1	

		30.9.2008	31.12.2007	Change %
Investments	€m	171,385	176,154	-2.7
Equity	€m	21,464	25,458	-15.7
Net technical provisions	€m	157,500	152,436	3.3
Staff		43,814	38,634	13.4
Share price	€	106.21	132.94	-20.1
Munich Re's market capitalisation ¹	€bn	21.9	29.0	-24.3

¹These include own shares earmarked for retirement.

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To our shareholders



Dr. Nikolaus von Bomhard
Chairman of Munich Re's
Board of Management

Dear Shareholders,

The past quarter and the weeks that followed brought with them the hardest test faced by the international financial markets in decades. As a major investor, the Munich Re Group has of course not been able to detach itself completely from these developments. However, thanks to our consistent, integrated risk management and a balanced investment portfolio, we have come through this crisis comparatively well, a fact that also endorses our strategy as a Group that conducts both insurance and reinsurance business. We expect our strong capitalisation to bring our operative business numerous new opportunities, which we will resolutely exploit in order to emerge stronger from the crisis than our competitors.

In the third quarter, further write-downs of investments and high natural catastrophe losses (especially Hurricanes Gustav and Ike, which together accounted for approximately €400m net before tax) had a significant negative impact on our consolidated result. Nevertheless, we are able to report a small profit for the third quarter. For the first nine months, the Group recorded a profit of €1.4bn. In view of the continued severe volatility on the capital markets, the result for the current fourth quarter is unlikely to be sufficient for us to achieve the profit guidance of over €2bn for the year announced in our last quarterly report. In a direct comparison with our competitors, however, we should still fare very well for the year as a whole.

In mid-October, the International Accounting Standards Board (IASB) resolved to relax requirements in "fair value accounting" after the US FASB eased corresponding regulations a few days previously. Under International Financial Reporting Standards, certain assets are generally recognised at fair value, which had led to burdens on the equity or income statements of banks and insurance companies. The aforementioned relaxations in requirements apply retroactively from 1 July and can thus be utilised for the third quarter. Under certain circumstances, the relaxations allow a reclassification of securities. This initiative is to be welcomed in as much as it will at least temporarily curb the financial crisis and also prevent competitive disadvantages in comparison with US financial services providers which use US GAAP accounting. At the same time, however, the new rules will also cause a loss of desirable transparency. As I have already stressed many times, creating maximum clarity for our investors on the earnings position, capitalisation and especially the risk situation of the Munich Re Group has always been a matter to which I attach great importance. We had not previously adopted an excessively vigorous approach to fair-value recognition, so it is only consistent (and also in the interest of the continuity of our reporting) that we have not taken advantage of the relaxations in requirements for these quarterly financial statements. Nor do we intend to do so in future, as long as we do not suffer any serious competitive disadvantages as a result.

Despite this conservative approach to calculating our equity, the Munich Re Group retains its very solid capital base: we exceed all the capitalisation requirements, whether external (set by supervisory authorities and rating agencies) or internal (our own risk model), and will therefore be continuing our previously announced share buy-back programme as planned. Equally, we are adhering to the projected dividend of €5.50 per share for the current financial year.

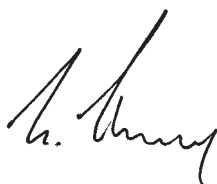
Besides offering an opportunity to give capital back to our investors, our financial strength also opens up new business opportunities for us in these turbulent times: the risk tolerance of a large number of our clients in reinsurance has been significantly restricted due to their own burdens from the financial market crisis, which will lead to a noticeable increase in demand for reinsurance as a substitute for equity. This applies equally to life and property-casualty classes. Unlike many of our competitors, some of whom are having to reduce their capacities, we are even able to offer our clients increased limits. It goes without saying that our risk expertise and financial security must be appropriately remunerated. Whereas before the end of the second quarter there were still signs of the market softening, we now anticipate substantial price increases during the 1 January non-life treaty renewals.

The situation is similar in commercial and industrial primary insurance, which we write successfully via ERGO and from within the reinsurance group. Here again, the desire of these major clients to secure reliable cover for their risks will bring about growth in profitable business. Ultimately, the same will also apply to insurances of the person in the primary insurance business segment. We firmly expect that life and annuity insurance, which are traditional forms of old-age provision backed with solid guarantees, will regain a larger share of our clients' expenditure on private provision, because trust in alternative forms of investment and non-insurance products offering only ostensible guarantees has suffered considerably. The ever-more-apparent gaps in the cover provided by state welfare systems will further stimulate demand.

In the meantime, we are adhering to the strategies we have already communicated. Particularly in primary insurance, the effects of the financial market crisis could also yield advantages for us in that we anticipate receiving more offers for acquisitions at favourable terms. We are thus currently scrutinising insurance companies which are being offered or offering themselves, with a view to complete or partial acquisitions. As ever, we are looking for a good strategic fit and economically viable pricing. When examining acquisition targets, we are proceeding with the same great care and discipline as always; we do not aim to make a quick "deal", but to make sound investments which, above all else, are sustainably profitable. This is the only way to create added value for you, our shareholders.

All in all, the current crisis has thus not passed us by. In contrast to many financial services providers, however, it has not put us on the defensive but is offering us opportunities to advance our Changing Gear programme for profitable growth and extend our market position. Thanks to all our hard work in recent years, we are able to see this crisis as an opportunity rather than as a risk.

Yours sincerely,



Dr. Nikolaus von Bomhard
Chairman of Munich Re's Board of Management

Interim management report

Key parameters

- Worsening of the financial crisis and concerns about a global recession
- Stagnating economic growth in the USA and the eurozone
- Stabilisation of inflation at a high level worldwide

The turbulence on the financial markets seriously impacted the US and European financial sector, leading to insolvencies (with Lehman Brothers the most prominent example), emergency sales, and partial nationalisations – as in the case of the American International Group and the British banking sector. These developments and the billions provided in state support, as recently with Hypo Real Estate in Germany, have had an adverse effect on the economy. There is now the risk of a downward spiral in the financial system and the economy as a whole. Growth is stagnating in most industrial nations, and economies in the emerging markets are starting to cool. The huge drop in the oil price during the quarter under review has been followed by a stabilising of inflation rates worldwide, albeit at a high level.

According to initial estimates, in the third quarter of 2008 the US economy contracted slightly at a seasonally adjusted and annualised real rate of –0.3% compared with the previous quarter. The economy in the second quarter had still been surprisingly robust, buoyed by monetary and fiscal policy. In the quarter under review, the US economy was weighed down by the relentless housing-market slump, the all-pervading financial market crisis, growing unemployment and high inflation (5.3% on average over the quarter).

After a second-quarter decline in economic output in the eurozone, early indicators such as the purchasing managers indices for the manufacturing and services industries signalled further very restrained development for the third quarter. The inflation rate in the eurozone fell slightly from 4.0% in July to 3.6% in September. A year ago it was only 2.1%.

In Japan, economic growth remained weak in the period under review, following a shrinking of economic output in the second quarter. In many of the emerging markets of Asia and eastern Europe, economic growth was subdued. Export-oriented sectors were affected by the stagnation of economic activity in industrialised countries, whilst at the same time domestic demand fell as a result of high inflation.

The oil price was extremely volatile, reaching an all-time high of over US\$ 145 per Brent barrel at the beginning of July, but then falling to below US\$ 90 in the course of the quarter under review and closing the quarter at US\$ 94. The euro sank from its record level of nearly US\$ 1.60 to US\$ 1.39 in the period under review, finishing the quarter at a level of US\$ 1.40. After lowering the federal funds rate from 2.25% to 2.0% in April, the US Federal Reserve left its key interest rate unchanged in the third quarter, before making further cuts to 1.0% in October as the financial market crisis escalated. By contrast, the European Central Bank increased its key interest rate from a comparatively high level (4.0%) to 4.25% in July, only to reduce this to 3.75% in October at the same time as the Federal Reserve first took action. Despite an environment characterised by persistently high inflation expectations, long-term yields in the USA and eurozone fell slightly as investors switched en masse from higher-risk investments into government bonds. The stock markets in the USA, Europe and Japan failed to recover from the price losses in the previous quarter and plunged into extreme turmoil in September following the renewed

exacerbation of the financial market crisis. By the end of the quarter, major share price indices such as the EURO STOXX 50 had fallen by more than 9% since the beginning of the quarter and by just under 31% since the start of the year. The rapid decline in share prices steepened still further in October, with key stock indices posting further double-digit price losses up to 30 October.

For the rest of the year and for 2009, we expect a further considerable slowing down of global economic growth for the time being as a result of the financial crisis. This increases the risk of a recession in the USA and Europe. A revival of economic stimuli does not appear possible here until the middle of 2009. However, the continuing financial market crisis entails particularly great imponderables for the economic outlook. Besides this, the global economy faces further risks in the form of the volatile oil price, the still comparatively high rate of inflation, and geopolitical tensions.

The insurance and reinsurance markets were also affected by the financial market crisis to an increased extent in the quarter under review. Particularly the quasi-nationalisation of the American International Group in the USA, one of the world's leading insurers, and the difficulties encountered by Fortis in Europe had a major impact on the market environment.

If the anticipated economic slowdown occurs, this would also have consequences for the demand for risk protection in insurance and reinsurance. In the current environment, the fact that the capitalisation of many primary insurers is being impaired by the financial market crisis could boost demand for reinsurance with high security. The subsequent increased importance of security and stability, particularly in reinsurance relations, will bring about a trend reversal in which prices will rise again.

Business experience from 1 January to 30 September 2008

Reinsurance

- Satisfactory treaty renewals at 1 July 2008
- High cost burden of €1.2bn from major losses for January to September; combined ratio of 100.2%
- Investment result of €3.0bn marked by financial market crisis
- Result of €2.0bn for the first three quarters

Key reinsurance figures		Q1–3 2008	Q1–3 2007	Q3 2008	Q3 2007
Gross premiums written	€bn	16.1	16.5	5.5	5.5
Loss ratio property-casualty	%	71.4	69.8	71.5	69.7
Expense ratio property-casualty	%	28.8	28.2	29.8	27.4
Combined ratio property-casualty	%	100.2	98.0	101.3	97.1
Thereof natural catastrophes	Percentage points	7.8	6.9 ¹	10.0	4.7 ¹
Investment result ²	€m	2,979	3,511	245	863
Operating result ²	€m	2,700	3,215	132	798
Consolidated result ³	€m	1,983	2,779	–35	857
Thereof attributable to minority interests	€m	–	–	–	–
				30.9.2008	31.12.2007
Investments	€bn			75.8	81.9
Net technical provisions	€bn			56.9	55.5

¹ Adjusted owing to a change in methodology.

² Including ERGO dividend of €947m (114m).

³ Including ERGO dividend of €931m (112m).

The Munich Re Group's reinsurance segment mainly comprises the operations of the Group's reinsurance companies, including property-casualty, life and health reinsurance. The latter, together with non-German health insurance business (part of which is written by our primary insurance companies) makes up our International Health segment. By the second quarter of 2009, this segment will become a fully integrated organisational unit within Munich Re. The reinsurance segment also includes a number of specialist insurers.

In the third quarter and first nine months of the year, **reinsurance business** was impacted by exceptionally high burdens, especially the turbulent developments on the financial markets but also recent events like Hurricanes Ike and Gustav, which contributed to the above-average costs for major losses. The operating result for July to September, which also includes the reinsurance investment result, fell by 83.5% to €132m (798m) compared with the same period last year and totalled €2,700m (3,215m) for the first nine months. Included in the nine-month figure is an intra-Group dividend payment of €947m (114m) from ERGO to Munich Re in the second quarter of the year. Since this income is reversed after the elimination of intra-Group transactions across segments, it is not mirrored in the consolidated result. Our operating result for the first nine months, adjusted for the ERGO dividend, amounted to €1,753m (3,101m). The consolidated result in reinsurance was down to –€35m (857m) in the third quarter, and totalled €1,983m (2,779m) for the first nine months. Without the ERGO dividend, the consolidated result for January to September was €1,052m (2,667m). The decrease is mainly attributable to the significant reduction in the investment result, which in the previous year had benefited from high gains on disposals in a very favourable capital market environment. This year, by contrast, sharp falls in share prices on the world's stock markets necessitated substantial write-downs in our equities portfolio.

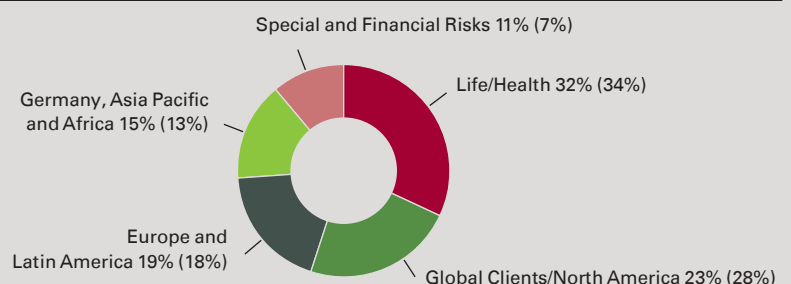
Thanks to our balanced investment portfolio and the use of equity hedging instruments, however, our investment result was satisfying in view of the general parameters.

The satisfactory **treaty renewals** in property-casualty reinsurance at the turn of the year and in early April were followed by the renewals as at 1 July for parts of the US business and of the Australian and Latin American markets. They involved a premium volume of nearly €1.15bn, or roughly 10% of property-casualty treaty business (i.e. without facultative reinsurance). Considering the current market situation, we are also very satisfied with the outcome of the July renewals. Prices followed the trend of the two preceding renewals and continued to decline slightly on average, with decreases varying considerably between markets and classes of business. Given our global presence, we are in a position to systematically shift our business focus away from unprofitable segments to countries and lines of business offering risk-adequate price levels.

Munich Re is relying not only on this consistent cycle management but also on purposeful international business expansion to further enhance its earnings prospects. This year, for instance, Munich Re successfully concluded its acquisitions of **Sterling Life Insurance Company** (Sterling), a leading provider of health insurance for seniors in the USA, and **The Midland Company** (Midland), a pre-eminent US specialty insurer in niche segments such as insurance for manufactured housing, mobile homes and motorcycles. Following the companies' first-time consolidation as at 1 April 2008, Sterling's and Midland's contribution to our premium income was €338m and €344m in the period under review, and €177m and €178m respectively in the third quarter of 2008.

Our **premium volume** in the reinsurance segment declined by 0.2% to €5.46bn (5.48bn) in the third quarter of 2008 and by 2.0% to €16.1bn (16.5bn) in the first nine months of the year. This reduction was partly ascribable to developments in exchange rates. The euro gained in strength against many other currencies compared with the same period last year, and the impact on our premium income in foreign-currency business was negative. At unchanged exchange rates, our premium income would have increased by 7.1% against the same quarter last year and by 6.0% year on year in the first nine months.

Gross premiums by division Q1–3 2008



In the **life and health** reinsurance segment, gross premiums written showed a fall of 3.9% to €1.8bn (1.9bn) compared with the same period last year. The decrease was attributable to changes in exchange rates and the scheduled reduction of individual large-volume reinsurance treaties. Our premium income for the first nine months was down 6.1% to €5.2bn (5.5bn).

In **property-casualty reinsurance**, premium volume rose by 1.7% to €3.7bn (3.6bn) in the quarter under review, whilst in the period from January to September there was a slight increase of 0.1% to €11.0bn (10.9bn). Adjusted to eliminate currency translation effects, premium was up 9.0% year on year.

The **combined ratio** stood at 101.3% (97.1%) for the third quarter and at 100.2% (98.0%) for January to September. In the third quarter, overall loss expenditure for major losses amounted to €441m (204m). The biggest loss events in the natural catastrophe sector were two hurricanes in the USA. We established provisions of around €300m for Hurricane Ike and about €90m for Hurricane Gustav. The burden from major losses in the first nine months of the year totalled €1,218m (819m). The rise against the same period last year is due to the numerous medium-sized man-made major losses as well as Hurricanes Ike and Gustav, which resulted in substantial expenditure in the first nine months of the year. Compared with the same period last year, the expenditure for natural catastrophes climbed to €760m (697m), whereas the burden from man-made loss events rose to €458m (122m).

Our reinsurers' **investment result** came to €245m (863m) in the third quarter and €2,979m (3,511m) in the period from January to September. The dividend payment of €947m (114m) from ERGO to Munich Re in the second quarter was unable to fully offset the decline in the balance of –€103m (860m) from gains and losses on disposals and from write-ups and write-downs in the first nine months of 2008. Whilst in the previous year we had achieved gains of €1.5bn from the sale of a major real estate package and equities, significant price losses on the stock markets – despite our conservative investment policy – required us to make write-downs of equities totalling €2.1bn in 2008. These were partially offset by €1.9bn in write-ups of our derivative financial instruments held for economic and balance sheet hedging purposes.

Primary insurance

- Total premium income growth of 2.2% to €13.8bn: Increase in Germany and abroad
- Good combined ratio of 90.2% despite numerous natural hazard events
- Investment result of €2.1bn impacted by financial market crisis
- Result of €370m for the first three quarters

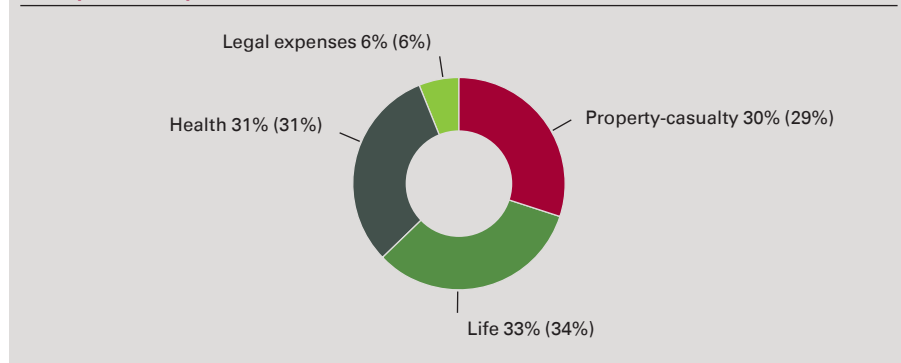
Key primary insurance figures		Q1-3 2008	Q1-3 2007	Q3 2008	Q3 2007
Total premium income	€bn	13.8	13.5	4.3	4.3
Gross premiums written	€bn	13.0	12.8	4.1	4.0
Loss ratio property-casualty	%	57.2	59.5	56.1	59.8
Expense ratio property-casualty	%	31.7	32.8	31.5	31.2
Combined ratio property-casualty	%	88.9	92.3	87.6	91.0
Combined ratio legal expenses insurance	%	95.9	95.3	93.7	96.8
Combined ratio property-casualty including legal expenses insurance	%	90.2	92.9	88.7	92.1
Investment result	€m	2,109	4,512	500	1,176
Operating result	€m	674	923	142	313
Consolidated result	€m	370	752	46	342
Thereof attributable to minority interests	€m	35	57	3	24
				30.9.2008	31.12.2007
Investments	€bn			112.6	109.3
Net technical provisions	€bn			100.6	97.0

The Munich Re Group's primary insurance segment mainly comprises the operations of the ERGO Insurance Group, including some of the foreign health primary insurers belonging to the business field of International Health. Together, they contribute around 95% of the segment's premium volume. The rest of the business comes from the Watkins Syndicate and Europäische Reiseversicherung. The latter will be integrated into the ERGO Group as at 1 January 2009. By combining its primary insurance and reinsurance activities under one roof, the Munich Re Group is in a position to cover the most important elements of the value chain in the global risk market. We thus leverage value and cost synergies and also reduce the risk-based capital required in the Group through improved diversification.

The Munich Re Group's **primary insurers** posted an operating result of €142m (313m) for the third quarter of 2008, and €674m (923m) for the period from January to September. The decrease of 27.0% against the same period in 2007 was mainly due to the investment result. The **consolidated primary insurance result** after tax for the first nine months of 2008 came to €370m (752m), of which €46m (342m) was attributable to the third quarter. The previous year's figure included one-off tax income of €118m from the Business Tax Reform Act 2008, which we had booked in the third quarter 2007.

In the third quarter of the year, **overall premium volume** across all lines of business totalled €4.265bn (4.273bn), a moderate decline of 0.2%. Since the start of the year, premium income rose by 2.2% to €13.8bn (13.5bn). Growth was especially prominent in our international business, above all in property-casualty insurance and in the health segment. With nearly 90% of our premium income stemming from the eurozone, changes in exchange rates had practically no impact. In the life and health segment, total premium since the beginning of the year was up to €9.11bn (9.05bn), while in property-casualty insurance (including legal expenses insurance) it climbed by 5.2% to €4.7bn (4.4bn). **Gross premiums written** amounted to €4.1bn (4.0bn) for the third quarter of 2008 and €13.0bn (12.8bn) for the period from January to September. Unlike overall premium volume, gross premiums written do not include the savings premiums from unit-linked life insurance and capitalisation products such as "Riester" pensions in Germany. These savings premiums totalled €732m (661m) for the first nine months of 2008.

Gross premiums by class of insurance Q1–3 2008



Our **life insurers** posted an overall premium volume of €1.6bn (1.7bn) in the third quarter of 2008, a 5.6% year-on-year decrease. In the period since January, premium volume fell marginally by 0.5% to €5.02bn (5.04bn). The satisfying growth of 6.5% in international business was mainly attributable to the good business experience in Austria and Belgium. German new business in the third quarter was down against the previous year, the annual premium equivalent (APE) – i.e. total regular premium income and one-tenth of single-premium volume – declining by 17.9%. From January to September, however, it was higher than in the same period last year, the key factor behind the 6.6% increase being the fourth Riester subsidisation stage, which commenced at the beginning of the year. Many of our clients had agreed automatic adjustment of their insurance policies to the applicable subsidisation ceiling. Without the Riester factor, new business was down 13.3%, mainly because of an initial effect of the German insurance contract law reform, which came into force in January 2008 and has made the sales process more complicated. This effect is compounded by a general reluctance among clients to take out long-term contracts in view of the uncertain economic prospects. International new business showed a rise of 8.9% since the beginning of the year, with positive development in particular from our companies in Poland and Austria.

In September, the relevant bodies of **ERGO Italia and ERGO Previdenza** paved the way for the restructuring of our Italian business. The main focus of this restructuring is to increase the profitability of new business and strictly control costs. To this end, ERGO Previdenza is to be merged into ERGO Italia or another ERGO company, with a view to enhancing ERGO Previdenza's integration within the Italian group. This will reduce complexity, simplify internal processes and leverage synergies. In the run-up to the merger, ERGO Italia submitted a takeover bid to all of ERGO Previdenza's shareholders.

On 30 September 2008, the ERGO Insurance Group acquired a further 61% of shares in **Bank Austria Creditanstalt Versicherung AG (BACAV)** for a price of €416m, thus increasing its stake to 90%. ERGO now ranks third in the Austrian life insurance market. It is expanding its international business by systematically using Austria as a platform for tapping the promising central and eastern European markets.

Our **health insurers** posted premium of €1.34bn (1.32bn) in the period from July to September, and recorded an increase in premium volume of 2.3% to €4.1bn (4.0bn) since the beginning of the year. In international business, we registered year-on-year growth of 6.4% in the period from January to September, with particularly robust premium increases in Spain and Belgium. In Germany, premium volume in the third quarter of 2008 totalled €3.5bn (3.4bn), representing growth of 1.6% compared with 2007. Premiums written in supplementary health business rose by 4.0%, whereas in comprehensive health insurance premium income grew only slightly by 1.0%, reflecting the distinctly adverse impact of the health reform on new business in this line. The three-year waiting period is likely to continue to be a factor throughout the

entire transition phase up to January 2010. Since the beginning of the year, new business in comprehensive insurance has declined by 20.7% compared with the previous year. This development has to be seen in light of the fact that new business at the beginning of 2007 was brisk, as clients took great advantage of the last opportunity to switch to private health insurance without having to satisfy the waiting period requirement.

From July to September 2008, premium volume in the **property-casualty** insurance segment climbed to €1.35bn (1.28bn), an increase of 5.2%. For the period since January, premiums rose to €4.7bn (4.4bn), with international business continuing to show particularly strong growth of 11.7% to €1.9bn (1.7bn). Worthy of particular mention with regard to ERGO are the markets of Poland and Turkey and the South Korean direct insurer ERGO Daum Direct, which has been consolidated since the second quarter 2008. Without ERGO Daum Direct, volume strengthened by 7.3%. Achieving profitable growth in international business is one of ERGO's declared objectives. Europe and Asia remain key target regions. In German business, premium income remained constant at €788m for the third quarter compared with the same period last year (€788m), but grew by 1.3% year on year in the first nine months. This development at ERGO has largely been driven by commercial and industrial business, where we posted a 3.3% increase in premium to around €590m whilst adhering to our proven, strictly profit-oriented underwriting approach. Personal lines business remained largely stable. Marginal reductions in motor business were compensated for by moderate growth rates in personal accident and legal expenses insurance.

The **combined ratio** in the property-casualty segment improved to a very good 90.2% (92.9%). In the same period last year, Winter Storm Kyrill had significantly impacted the loss ratio. However, in the first nine months of 2008, there were numerous regionally limited natural events such as Winter Storm Emma and Windstorm Hilal, which in the aggregate had about the same adverse effect on the net loss ratio as Kyrill did last year. Looked at in isolation, the combined ratio for the third quarter was 88.7% (92.1%).

At €500m, the primary insurers' **investment result** for the third quarter dropped by 57.5% compared with last year's exceptionally good third quarter (€1,176m), and declined by 53.3% to €2,109m (4,512m) for the first nine months. The reduction is essentially attributable to the lower balance from gains and losses on disposals and from write-ups and write-downs. Whilst in the previous year we had achieved gains of €1.5bn from the sale of a major real estate package and equities, significant price losses on the stock markets – despite our prudent investment policy – required us to make write-downs of equities totalling €1.9bn in 2008. These were partially offset by €1.0bn in write-ups of our derivative financial instruments held for economic and balance sheet hedging purposes.

Asset management

- Largest financial market crisis for decades hits share prices in third quarter
- Balanced investment policy alleviates impact of capital market upheavals
- Equity exposure further reduced in third quarter

Investment result						
	Q1–3 2008	Q1–3 2007	Change	Q3 2008	Q3 2007	Change
	€m	€m	%	€m	€m	%
Regular income	6,012	6,240	–3.7	1,948	1,955	–0.4
Write-ups/write-downs	–2,316	–766	–202.3	–1,152	–326	–253.4
Net realised capital gains	1,141	2,579	–55.8	265	566	–53.2
Other income/expenses	–900	–417	–115.8	–387	–205	–88.8
Total	3,937	7,636	–48.4	674	1,990	–66.1

Investment result by type of investment						
	Q1–3 2008	Q1–3 2007	Change	Q3 2008	Q3 2007	Change
	€m	€m	%	€m	€m	%
Real estate	156	747	–79.1	56	64	–12.5
Investments in affiliated companies	–8	–17	52.9	–20	–4	–400.0
Investments in associates	69	270	–74.4	16	210	–92.4
Mortgage loans and other loans	1,144	1,016	12.6	322	357	–9.8
Other securities	3,148	5,542	–43.2	594	1,413	–58.0
Deposits retained on assumed reinsurance and other investments	190	304	–37.5	46	77	–40.3
Investments for the benefit of life insurance policyholders who bear the investment risk	–356	51	–	–136	–25	–444.0
Expenses for the management of investments and other expenses	406	277	46.6	204	102	100.0
Total	3,937	7,636	–48.4	674	1,990	–66.1

For the period January to September, the Munich Re Group's **investment result** fell strongly year on year due chiefly to financial market turbulence in the third quarter reaching the worst levels seen for decades. Thanks to our balanced investment policy, we were able to limit losses in our portfolio's value and their effects on our investment result.

The modest decline in **regular investment income** mainly reflects decreasing interest income from the reduced volume of deposits retained on assumed reinsurance.

In the period under review, we posted **net realised gains on disposal** of €1,141m (2,579m), generating €471m (6m) through derivative financial instruments. The bulk of these are derivatives we had purchased to hedge our equity portfolio and whose value increased as a result of the bear market. Besides this, in the third quarter of 2008, we also sold a block of hedged shares. We posted a result of €523m (2,498m) from the sale of equities in the first nine months of 2008. In the first half of 2007, we had exploited the favourable performance of the stock markets by realising considerable gains on disposals. Furthermore, the sale last year of a real-estate package comprising German residential and commercial properties had alone led to gains on disposal of around €550m.

The major decline in the net balance of **write-ups and write-downs** was due particularly to the heavy share-price losses, for which the derivative financial instruments could not compensate entirely.

The following special features of the IFRS accounting regulations determine how fluctuations in the value of equities are recognised in the income statement:

Changes in the value of share portfolios categorised as “available for sale” are always recognised in equity with no effect on profit or loss. Only when they are sold are the amounts of such holdings recorded in the income statement.

An exception to this rule exists in the event of a sustained impairment. We consider an impairment to be “sustained” if an equity’s stock market price falls below the average historical acquisition cost either for a sustained period, i.e. at least six months, or significantly, i.e. by at least 20%. If an impairment occurs, the accumulated loss previously recognised in equity is eliminated and recognised in the income statement as an expense. Further declines in the prices of equities that have already been written down once are recognised immediately in the income statement. This was relevant to approximately two-thirds of the impairments booked.

Another special feature applies to changes in the market value of individual equity portfolios for which hedge accounting using derivatives is employed. Where this is the case, any change in value must be recognised immediately in the income statement, i.e. with write-downs for share-price losses and write-ups for price gains.

Between January and September 2008, we made total write-downs of €5,274m (1,564m), of which €4,010m (289m) were on our equity portfolios. Although prices in the most important indices stabilised at the start of the third quarter, they dropped significantly again from mid-September onwards, necessitating €1,789m (224m) in write-downs on our equity portfolio between July and September 2008.

In total, however, approximately one-third of the write-downs we made in the period under consideration involved equity portfolios for which the value fluctuations were more or less offset by price gains on hedging derivatives. Some of the other impairments on our equity portfolios were compensated for by yields from the countervailing performance of economic hedging transactions, without a direct hedging relationship. This led to significant increases in the value of hedging instruments in the period from January to September. Of our write-ups of €2,958 (798m), derivatives accounted for virtually the whole amount, with €2,901m (609m) in the period under review, €1,199m (307m) of which was in the third quarter.

Our portfolio of fixed-interest securities in the “available for sale” category is accounted for at fair value and takes into consideration the development of risk spreads as well as current interest-rate changes. Any resulting changes in value are recognised in equity with no effect on profit or loss. Nevertheless, as with equity instruments, these fixed-interest securities are subjected to an impairment test at every (quarterly) balance sheet date. If there is objective evidence for an impairment, e.g. substantial financial risks relating to the issuer, this must be recognised as an expense in the income statement. The downgrading of an issuer’s credit rating and an interest-rate-induced decline in market value are not in themselves sufficient grounds for an impairment but, depending on the intensity, may be cause for closer scrutiny of whether the criteria for an impairment are met.

Overall, however, the revaluation of the Munich Re Group’s entire portfolio of fixed-interest securities categorised as “available for sale” in the period under review only resulted in write-downs totalling approximately €101m, of which approximately €60m is apportionable to fixed-interest securities issued by Lehman Brothers. Altogether our business relations with Lehman Brothers, which involve various capital market transactions, have led to impairments totalling around €115m net following the company’s application for creditor protection.

The spread of the turbulence to other capital-market-oriented companies such as American International Group and Washington Mutual will have no notable impact on our results. A German financial-service provider, Hypo Real Estate, has also become embroiled in the crisis and had to be bailed out. In addition to German banks, the insurance sector has agreed to provide guarantees and liquidity support for the Hypo Real Estate rescue package. The shares of this which the Munich Re Group might potentially have to assume are each in the very low three-digit million euro range.

Although the US property crisis has now proliferated beyond subprime mortgage loans, we do not expect a permanent decrease in the value of our fixed-interest securities.

Investment mix													
	€m ¹	Reinsurance				Primary insurance				Asset management		Total	
		Life and health		Property-casualty		Life and health		Property-casualty		30.9.	31.12.	30.9.	31.12.
		30.9.	31.12.	30.9.	31.12.	30.9.	31.12.	30.9.	31.12.	30.9.	31.12.	30.9.	31.12.
		2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Land and buildings, including buildings on third-party land		394	452	690	649	2,483	2,500	93	94	59	58	3,719	3,753
Investments in affiliated companies		35	39	60	57	46	34	93	73	18	12	252	215
Investments in associates		99	87	179	182	368	389	259	245	51	50	956	953
Loans		231	128	374	163	37,205	33,537	2,163	1,666	1	8	39,974	35,502
Other securities held to maturity		-	-	-	-	149	192	5	8	-	-	154	200
Other securities available for sale													
Fixed-interest		9,369	9,229	36,613	38,143	44,007	42,647	4,722	4,546	23	20	94,734	94,585
Non-fixed-interest		1,239	1,917	5,865	9,866	7,955	11,008	1,291	1,651	7	7	16,357	24,449
Other securities held for trading													
Fixed-interest		10	8	321	356	556	77	386	281	-	-	1,273	722
Non-fixed-interest		1	-	24	8	2	-	6	7	-	-	33	15
Derivatives		322	96	561	130	849	303	37	14	-	-	1,769	543
Deposits retained on assumed reinsurance		4,711	6,216	1,301	1,710	84	276	3	4	-	-	6,099	8,206
Other investments		446	537	858	1,118	1,012	2,315	501	409	293	454	3,110	4,833
Investments for the benefit of life insurance policyholders who bear the investment risk		-	-	-	-	2,955	2,178	-	-	-	-	2,955	2,178
Total		16,857	18,709	46,846	52,382	97,671	95,456	9,559	8,998	452	609	171,385	176,154

¹ After elimination of intra-Group transactions across segments.

The carrying amount of the **Munich Re Group's investments** shows a fall of 2.7% since the beginning of the year, although there was an rise of €5.1bn in the third quarter. A large portion of the reduction since the beginning of the year is attributable to our equity portfolio, which was affected both by disposals and by the marked decline in share prices (e.g. -30.9% in the EURO STOXX 50), with non-fixed-interest securities available for sale and accounted for at fair value continuing to fall up to the reporting date. A counter-effect was achieved above all by our higher investments in loans, which are almost all held by our primary insurers. These items are mainly variable-interest loans. Besides this, we recorded a slight increase of €0.3bn in foreign exchange gains in relation to the investment portfolio as a whole, due particularly to the appreciation in the US dollar compared with the beginning of the year.

In addition, the first-time consolidation (in the third quarter) of our new subsidiary, BACAV, and its investments totalling €3.8bn lessened the reduction in our investment portfolio.

The **volume of our investments in shares** at carrying amounts (including those in affiliated and associated enterprises) fell €8.4bn to €15.7bn during the course of the year. This was due on the one hand to our selective equity portfolio cutbacks in the third quarter of 2008 by disposing of hedged items, and on the other hand to the sharp setbacks in share prices on the stock exchanges, especially towards the end of the third quarter. At market value, our equity portfolio (including investments in affiliated companies and associates) represents 9.3% of our overall investment portfolio – down 4.5 percentage points compared with the start of the year. However, because we have hedged this portfolio to a large extent using derivatives, at the end of the quarter our economic exposure to equities accounts for only 4.6% (10.8%) of our investments at market value. This decreased ratio is mainly attributable to the greater use of additional derivative financial instruments in the third quarter. Expressed as a percentage of adjusted equity¹, the value of investments in equities – minus derivatives, policyholders' bonuses and deferred taxes – is only 22% ("equity gearing"). Proceeding from a percentage of 51% at the end of the previous year, we have significantly reduced our dependence on the stock market in the current financial year also in relation to our equity capital, in the light of the volatile capital market environment.

At the end of the quarter, **fixed-interest securities** and loans accounted for €136bn or approximately 79% of our total investment portfolio at carrying amounts, which is around five percentage points more than at the beginning of the year. In this segment, we have been considerably more circumspect than many of our major competitors and have been very restrained with regard to the assumption of credit risks. Only since the start of the year have we cautiously expanded our portfolio of credit-exposed fixed-interest securities, particularly asset-backed securities, mortgage-backed securities and corporate bonds. We took advantage of the considerable widening of risk spreads in comparison to government bonds to restructure our portfolio accordingly and earn higher interest income.

At the reporting date, our portfolio of asset-backed securities and mortgage-backed securities totalled €6.7bn, which corresponds to an increase of approximately €1.2bn since the beginning of the year, chiefly effected in the first quarter. We invest only in assets with a high credit rating. Consequentially, our portfolio has a good rating structure: as at 30 September 2008, 98.5% of its securities were rated A to AAA. Even though the credit crisis has made it clear that the ratings of complex financial instruments are of limited relevance as an analysis tool, we consider our portfolio to be relatively low-risk in the current economic circumstances.

With our investments, we anticipated the risk of continued inflation expectations at an early stage, gradually adding to our portfolio of inflation-indexed bonds over the course of the year to protect us from the inflation risk and the associated increase in interest rates. These bonds are linked to a consumer price index, ensuring that where there is inflation, interest payments and redemptions increase continuously. As at 30 September 2008, the volume of inflation-indexed bonds at market values was just under €7.5bn (3.3bn), thus making up around 5.6% of our portfolio of fixed-interest securities and loans at market values.

On 13 October 2008, the IASB (International Accounting Standards Board) fast-tracked an amendment of **IAS 39, Financial Instruments**, relating to the reclassification of financial instruments. In the light of the crisis on the financial markets, the changes made are intended to eliminate the potential competitive advantages of US banks by aligning IFRS with US GAAP, and to provide balance-sheet relief in the financial sector.

¹ Disregarding minority interests and goodwill and including net off-balance-sheet reserves.

Under certain conditions, the amendments permit non-derivative financial instruments in the categories “securities held for trading” and “securities available for sale” to be reclassified under other categories retroactively to 1 July 2008, enabling them to be recognised at amortised cost. As a consequence, market-value changes occurring in the third quarter and in the future need no longer be recognised in the income statement or in equity.

Thanks to our well-balanced investment policy and the fact that our accounting has been on the conservative side hitherto, we do not need to reclassify financial instruments in this way.

Our **investment strategy** is founded on a holistic approach of asset-liability management, in which the structure of our liabilities plays a key role. The characteristics of the payment obligations from insurance business, including their dependence on economic factors such as interest rates, currency and inflation, determine the investments selected. This cushions our assets somewhat against the effect of capital market fluctuations. Furthermore, our investment strategy is committed to the principle of sustainability. We aim to invest at least 80% of the market value of our investments in assets which are included in a sustainability index or satisfy generally recognised sustainability criteria.

The Munich Re Group’s **solvency** is ensured at all times by means of detailed, Group-wide liquidity planning. Generally, the Munich Re Group generates significant liquidity from its premium income, from regular investment income and from investments that mature. We also attach great importance to the creditworthiness and fungibility of our investments. Given the maturity structure of the outstanding bonds and the credit facilities employed (which are relatively insignificant anyhow), the Munich Re Group has no refinancing requirements.

Capital market developments have a direct effect on our **unrealised gains and losses** and on our **off-balance-sheet valuation reserves**.

After a short and temporary period of stabilisation, the downward trend on the stock exchanges prevalent since the start of the year continued apace in the third quarter. Prices in the most important indices have been plummeting globally since January. The EURO STOXX 50 alone lost 1,362 points or 30.9% in the first nine months of the year, 315 points or 9.4% of which were in the third quarter. As a result of these developments and the disposals we made at an early stage, the market value of our equity portfolios fell from €22.9bn at the start of the year to €14.4bn at the reporting date, equivalent to decline of 36.9% and involving a decrease of €2.8bn or 16.4% in the third quarter.

Net unrealised gains on equities have fallen to €2.9bn since the beginning of the year – a decrease of €3.7bn, of which €0.3bn is attributable to equity funds.

Other securities – Available for sale							
		Carrying amounts		Unrealised gains/losses		Amortised cost	
	€m	30.9.2008	31.12.2007	30.9.2008	31.12.2007	30.9.2008	31.12.2007
Fixed-interest securities		94,734	94,585	-1,472	-3	96,206	94,588
Non-fixed-interest securities							
Shares		13,713	22,071	2,922	6,308	10,791	15,763
Investment funds		1,816	1,768	54	305	1,762	1,463
Others		828	610	-24	70	852	540
		16,357	24,449	2,952	6,683	13,405	17,766
Total		111,091	119,034	1,480	6,680	109,611	112,354

In the course of the year up to the reporting date, there was a slight overall decrease in risk-free interest rates. By contrast, however, risk spreads expanded steadily in the period under review, more than compensating for the drop in risk-free interest rates. The resultant reduction in the market value of our fixed-interest securities available for sale was more than compensated for by the first-time consolidation of BACAV, which has 44% of its investments in such securities, and the appreciation in the US dollar. Altogether, therefore, between January and September we recorded a slight increase of €0.1bn in the market value of our fixed-interest securities available for sale, from €94.6bn to €94.7bn. Owing to the above-mentioned developments on the capital markets, however, a negative balance of –€1.5bn (0.0bn) on unrealised gains and losses built up in the first nine months.

Valuation reserves not recognised in the balance sheet						
	Valuation reserves	Fair value	Carrying amount	Valuation reserves	Fair value	Carrying amount
€m	30.9.2008	30.9.2008	30.9.2008	31.12.2007	31.12.2007	31.12.2007
Land and buildings ¹	1,427	7,478	6,051	1,556	7,547	5,991
Associates	224	1,166	942	337	1,277	940
Loans	-1,717	38,257	39,974	-1,323	34,179	35,502
Other securities	-1	153	154	-	200	200
Total	-67	47,054	47,121	570	43,203	42,633

¹ Including owner-occupied property.

As with fixed-interest securities available for sale, the development of loan values and reserves is linked to fluctuations in market interest rates with regard to both the risk-free interest rate and the risk spreads. Rising interest-rate levels thus result in losses in the market value of even low-risk, long-term securities.

The decrease in market value due to the greater risk spreads, for which the risk-free interest rates (which have fallen slightly since the start of the year) could not compensate, was more than offset in the period under review by increased new investments. Consequently, in comparison with the beginning of the year, there was a rise in market value of €4.1bn to €38.3bn, of which €1.6bn was apportionable to the third quarter.

The overall rise in the interest-rate level since the beginning of the year increased our hidden negative valuation differences at the reporting date by €0.4bn to €1.7bn. The portion allocable to shareholders can be calculated by subtracting the amounts assignable to policyholders' bonuses, deferred taxes and minority interests, and this portion is only approximately 11% of the total hidden negative valuation differences.

Overall, our off-balance-sheet valuation reserves fell by €0.6bn, meaning that as at the reporting date, valuation reserves on our investments (excluding owner-occupied property) were negative on balance at –€0.3bn.

Assets under management for third parties					
			30.9.2008	31.12.2007	
Third-party investments	€bn		8.9	9.2	
		Q1-3 2008	Q1-3 2007	Q3 2008	Q3 2007
Group asset management result	€m	41	49	7	2

MEAG MUNICH ERGO AssetManagement GmbH is the asset manager of Munich Re and the ERGO Insurance Group. In addition to its function as asset manager for the Group, MEAG also offers its expertise to private and institutional clients.

The monies managed in private-client business have decreased to €2.0bn (2.5bn) due to the negative market trend affecting equities and bonds alike. Private investors were also very restrained where new investments were concerned on account of the market turmoil, so much so that they even disregarded the incentive of not having to pay tax on gains made on the future sale of equity funds purchased before the end of this year.

MEAG's assets under management for institutional clients increased slightly in the course of the year to €6.9bn (6.7bn).

The assets managed by PICC Asset Management Company Ltd. (PAMC), Shanghai, in which MEAG has a 19% stake, showed a substantial increase to €10.4bn (8.2bn) due to brisk business development at PICC (People's Insurance Company of China).

Prospects

- Projected premium income of around €37.5bn
- Hardening market conditions in reinsurance; price increases to be expected
- Consolidated result likely to fall short of €2bn in view of the share price losses on the world's stock markets; robust new forecast precluded by sustained volatility of the markets
- Earnings target of at least €18 per share by 2010 confirmed

There are various reasons why the quarterly results of insurance companies, including Munich Re, are not a suitable indicator for the results of the financial 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. And finally, gains and losses on the disposal of investments and write-downs of investments do not follow a regular pattern. Consequently, our quarterly figures do not provide more than pointers to the result for the year that may be expected.

Reinsurance In recent months, capital market events have led to losses in investments and thus in the entire insurance industry's capital base. As a result, we have been witnessing a greater need for security on the part of clients at the same time as worldwide insurance capacity has been shrinking. This increase in demand and shortage of supply is likely to lead to a significant stabilisation of prices, terms and conditions in insurance and reinsurance – despite the appreciable weakening of the overall economy. The hardening of market conditions will benefit our business segments to varying degrees. In this context, the exceptionally high security of the Munich Re Group companies is a perceptible competitive advantage, and our financial solidity will provide us with special market opportunities in what is actually a difficult economic environment.

In the coming years, there will thus be good growth opportunities for **life reinsurance**, which our clients use to a particular degree as a capital substitute. Munich Re is renowned for its outstanding risk expertise, specialist knowledge of the markets, good client relations and financial strength. As an important pillar of diversification and due to its low volatility, life reinsurance is being strengthened as a core element of the Group's strategy. By writing attractive new business and developing existing business according to plan, we intend to achieve European Embedded Value (EEV) earnings of 8–9% in relation to the value of the business in force at the beginning of the year. Moreover, we have the ambitious aim of realising quantum growth in EEV earnings by doubling the value added by new business between 2006 and 2011.

A variety of growth opportunities also present themselves in the field of **healthcare**, where the Munich Re Group covers the whole value chain, from risk assessment in insurance and reinsurance to risk management and services in the health sector. Our services here involve much more than just the assumption of risks. With our expertise, we are thus closer to the markets and can provide long-term solutions tailored to the needs of our clients. In the second quarter of 2009, we plan to merge our International Health operations from currently separate divisions at DKV and Munich Re into a fully integrated organisational unit, which will enable us to leverage the many synergies even better.

In **property-casualty reinsurance**, Munich Re will maintain its clear, profit-oriented underwriting policy and accept risks only at commensurate prices, terms and conditions, intensifying its endeavours to achieve differential pricing. This means our proven financial solidity, acknowledged risk expertise, service and client-centric focus are rewarded by our clients in the form of better prices and conditions than those granted to the rest of the market.

We see ourselves as well-positioned and are confident of having a good platform for the **renewals at 1 January 2009**. We therefore must and will exploit the opportunities afforded by the current market environment and implement price increases in return for our financial strength.

If exchange rates remain stable, our **gross premium volume** should total around €21.0bn. The slight decline compared with the previous year (€21.5bn) is mainly attributable to exchange-rate developments and our policy of deliberately refraining from volume-oriented growth in a reinsurance market which until recently was softening.

With the burden from natural catastrophe and man-made losses again high in the third quarter of 2008, we will only be able to achieve our target **combined ratio** of 98% for property-casualty reinsurance in 2008 (with natural catastrophes accounting for 6.5%) if random losses in the fourth quarter remain significantly below our expectations.

In view of the marked share price losses on the world's stock markets, we anticipate further write-downs for the fourth quarter of 2008. For this reason and because of the write-downs booked in the third quarter, it is very probable that we will not be able to reach the envisaged **annual profit target** of well over €1.7bn in reinsurance (excluding the dividend of nearly €1bn from ERGO to Munich Reinsurance Company). A sufficiently reliable new forecast is difficult given the recent pronounced market movements.

Primary insurance In **life insurance**, we expect overall premium income to increase owing to the good growth of international business. We project that the annual premium equivalent (APE) in German new business will be slightly down on the same period last year.

Our **health insurers** anticipate good growth. In Germany, we aim to expand moderately. New business in comprehensive health insurance for the year as a whole is likely to decrease owing to the German health reform, in particular due to the three-year waiting period for switching to private health insurance after reaching the earnings ceiling. For international business, we anticipate double-digit growth rates.

In **life and health business**, it is our objective to achieve EEV earnings of between 8% and 9% in relation to the value of the business in force at the beginning of the year.

Premium income in **property-casualty insurance and legal expenses insurance** should increase appreciably by a good 6%, mainly due to strong growth in international business. Growth in non-Germany business will also be generated by our South Korean company ERGO Daum Direct, whose premium income has been recognised in our consolidated figures since 1 April 2008. German business, too, is expected to show some growth in 2008, although the market as a whole is likely to remain stagnant. As far as the result is concerned, we anticipate that we will again be able to keep the combined ratio for property-casualty business (including legal expenses insurance) at an excellent level that is well within our target of less than 95%.

In mid-September, ERGO agreed to acquire the remaining 25% of shares in the Turkish ERGO company **ERGOISVIÇRE** from AVRUPA Holding, thereby becoming the sole shareholder. Since ERGO's initial acquisition of a stake in the company in 2006, ERGOISVIÇRE has expanded its market share from 7% to nearly 8%, achieving an increase in profitability through its systematic integration into the ERGO Group. ERGO will continue to expand its successful business in the dynamic growth market of Turkey.

Total premium income in the ERGO Insurance Group should rise by 3–4.5% in 2008 to a total of approximately €18bn. Overall, the **gross premiums written** by our primary insurers, which in addition to the ERGO Insurance Group include Europäische Reiseversicherung and the Watkins Syndicate, should reach about €17.5bn in 2008, thus slightly exceeding last year's figure of €17.3bn. Given the situation in the financial markets, we are not likely to be able to achieve our annual profit target of €500m for primary insurance.

ERGO is adhering to the long-term growth and cost targets of its ERGO 2012 programme. It aims to raise its share of business written outside Germany to one-third by 2012. In order to achieve its cost targets, ERGO intends to save around €180m in office and personnel expenses by 2010.

Munich Re Group For the current financial year 2008, we project that **gross premiums** written in insurance and reinsurance will total around €37.5bn.

The general goal for our **investments** is a sustainable overall return of around 4.5% of their average market values, subject to the development of the capital markets. As a major investor, we are of course significantly affected by the current financial market crisis and its implications. We will therefore fall short of this target in 2008 and, based on the present highly uncertain expectations, will achieve a return very clearly below 4%. Expenses in respect of write-downs for our equity portfolio are having a distinctly negative impact on our result. Given the completely uncertain situation prevailing at the moment, the risk of continued high inflation levels and a significant cooling of the economy, further declines in share prices cannot be ruled out. We do not intend to deviate from the IFRS accounting rules we have applied thus far simply in order to optically improve our external reporting, for continuity in our accounting practices as well as the transparency of our assets and results are important to us.

Given the persistently negative capital market situation in the third quarter and uncertain future trends, we are unlikely to reach the previously envisaged **consolidated profit for the year** of €2bn after consolidation. How high the profit will be, cannot be forecast with sufficient reliability. A robust new profit forecast is precluded by the currently sustained volatility of the financial markets. However, we are adhering to our medium-term objectives up to 2010. Our most important objective continues to be the profitability of the capital deployed, and we aim to earn a sustained return on risk-adjusted capital (RORAC) of at least 15%.

The Munich Re Group remains stable and well capitalised – despite the market turmoil. We will therefore continue our ongoing share buy-back programme and analyse how we can take advantage of opportunities now arising.

As part of our active **capital management** in connection with our Changing Gear programme, we intend to return no less than €8bn to our shareholders in the period May 2007 to the end of 2010, with share buy-back programmes accounting for at least €5bn. This applies irrespective of recent capital market events. The share buy-back programme 2007/2008 up to April 2008 amounted to €2bn. As part of the share buy-back programme 2008/2009, we repurchased a total of eight million Munich Re shares worth €900m by the end of October 2008. Of this total, 1.3 million shares, or €149m, were attributable to the put options sold in February 2008 and expiring in October 2008. The volume is to be increased to €1bn before the Annual General Meeting on 22 April 2009. An increase beyond this is unlikely, not least because the size of the revenue reserve available under German Commercial Code accounting is narrowly limited owing to the high allocations to the claims equalisation provision.

By reducing the number of shares issued and improving our profit, we aim to raise our earnings per share to at least €18 by 2010. Subject to the approval of the Supervisory Board and Annual General Meeting, the planned dividend in 2009 for the financial year 2008 is €5.50, i.e. the same level as last year. This is equivalent to a total of €1.1bn for the shares currently issued.

As a major investor, we have had to bear significant burdens from the worst capital market crisis in decades, and our annual result will be adversely affected. However, the Group's capitalisation remains very solid. We more than fully satisfy regulatory group solvency requirements, and our internal calculations show that our capitalisation exceeds requirements based on technical risk assessments. We also satisfy the capital requirements for our present strong rating. And not only has the significance of sustained financial strength increased but also the importance of expertise in risk assessment and risk management – the Munich Re Group's core competencies. We are therefore convinced that we are pursuing the right strategy and will emerge stronger from the current situation than other market players.

The statements relating to opportunities and risks as presented in the Munich Re Group's Annual Report 2007 apply unchanged.

Interim consolidated financial statements

Consolidated balance sheet as at 30 September 2008

Assets				31.12.2007		Change %
	€m	€m	€m	€m	€m	
A. Intangible assets						
I. Goodwill		3,714		3,135	579	18.5
II. Other intangible assets		1,971		1,142	829	72.6
			5,685	4,277	1,408	32.9
B. Investments						
I. Land and buildings, including buildings on third-party land		3,719		3,753	-34	-0.9
Thereof: Investment property held for sale			16	78	-62	-79.5
II. Investments in affiliated companies and associates		1,208		1,168	40	3.4
III. Loans		39,974		35,502	4,472	12.6
IV. Other securities						
1. Held to maturity	154			200	-46	-23.0
2. Available for sale	111,091			119,034	-7,943	-6.7
3. Held for trading	3,075			1,280	1,795	140.2
			114,320	120,514	-6,194	-5.1
V. Deposits retained on assumed reinsurance		6,099		8,206	-2,107	-25.7
VI. Other investments		3,110		4,833	-1,723	-35.7
			168,430	173,976	-5,546	-3.2
C. Investments for the benefit of life insurance policyholders who bear the investment risk			2,955	2,178	777	35.7
D. Ceded share of technical provisions			5,288	5,626	-338	-6.0
E. Receivables						
I. Current tax receivables		859		751	108	14.4
II. Other receivables		9,409		8,636	773	9.0
			10,268	9,387	881	9.4
F. Cash at bank, cheques and cash in hand			3,718	2,505	1,213	48.4
G. Deferred acquisition costs						
Gross		8,906		8,388	518	6.2
Ceded share		278		86	192	223.3
Net			8,628	8,302	326	3.9
H. Deferred tax assets			4,927	4,619	308	6.7
Thereof: Deferred tax assets relating to disposal groups			-	3	-3	-100.0
I. Other assets			4,201	3,383	818	24.2
Total assets			214,100	214,253	-153	-0.1

Equity and liabilities	31.12.2007				Change
	€m	€m	€m	€m	%
A. Equity					
I. Issued capital and capital reserve	7,388		7,388	-	-
II. Retained earnings	11,085		9,781	1,304	13.3
III. Other reserves	1,178		3,934	-2,756	-70.1
IV. Consolidated result attributable to Munich Re equity holders	1,381		3,854	-2,473	-64.2
V. Minority interests	432		501	-69	-13.8
		21,464	25,458	-3,994	-15.7
B. Subordinated liabilities		4,950	4,877	73	1.5
C. Gross technical provisions					
I. Unearned premiums	7,060		5,719	1,341	23.4
II. Provision for future policy benefits	98,189		94,935	3,254	3.4
III. Provision for outstanding claims	46,240		44,564	1,676	3.8
IV. Other technical provisions	8,190		10,536	-2,346	-22.3
Thereof:					
Provision for deferred premium refunds relating to disposal groups	-		-172	172	100.0
		159,679	155,754	3,925	2.5
D. Gross technical provisions for life insurance policies where the investment risk is borne by the policyholders		3,109	2,308	801	34.7
E. Other accrued liabilities		2,686	2,793	-107	-3.8
F. Liabilities					
I. Bonds and notes issued	299		341	-42	-12.3
II. Deposits retained on ceded business	2,034		2,231	-197	-8.8
III. Current tax liabilities	2,526		2,634	-108	-4.1
IV. Other liabilities	9,992		10,762	-770	-7.2
Thereof:					
Amounts due to banks relating to disposal groups	19		19	-	-
		14,851	15,968	-1,117	-7.0
G. Deferred tax liabilities		7,361	7,095	266	3.7
Thereof:					
Deferred tax liabilities relating to disposal groups		-	1	-1	-100.0
Total equity and liabilities		214,100	214,253	-153	-0.1

Consolidated income statement for the period 1 January to 30 September 2008

Items	Q1-3 2008	Q1-3 2008	Q1-3 2008	Q1-3 2007	Change	
	€m	€m	€m	€m	€m	%
Gross premiums written	28,127			28,076	51	0.2
1. Earned premiums						
Gross	27,199			27,557	-358	-1.3
Ceded	1,095			1,134	-39	-3.4
Net		26,104		26,423	-319	-1.2
2. Investment result						
Investment income	12,935			11,295	1,640	14.5
Investment expenses	8,998			3,659	5,339	145.9
Total		3,937		7,636	-3,699	-48.4
Thereof: Income from associates		69		270	-201	-74.4
3. Other income		2,692		1,572	1,120	71.2
Total income (1-3)			32,733	35,631	-2,898	-8.1
4. Net expenses for claims and benefits						
Gross	21,721			23,845	-2,124	-8.9
Ceded share	736			574	162	28.2
Net		20,985		23,271	-2,286	-9.8
5. Operating expenses						
Gross	6,639			6,823	-184	-2.7
Ceded share	199			327	-128	-39.1
Net		6,440		6,496	-56	-0.9
6. Other expenses		2,874		1,884	990	52.5
Total expenses (4-6)			30,299	31,651	-1,352	-4.3
7. Result before impairment losses of goodwill			2,434	3,980	-1,546	-38.8
8. Impairment losses of goodwill			-	-	-	-
9. Operating result			2,434	3,980	-1,546	-38.8
10. Finance costs			272	238	34	14.3
11. Taxes on income			744	394	350	88.8
12. Consolidated result			1,418	3,348	-1,930	-57.6
Thereof:						
Attributable to Munich Re equity holders			1,381	3,294	-1,913	-58.1
Attributable to minority interests			37	54	-17	-31.5
			€	€	€	%
Earnings per share			6.82	15.15	-8.33	-55.0

Consolidated income statement for the period 1 July to 30 September 2008

Items	Q3 2008	Q3 2008	Q3 2008	Q3 2007	Change	
	€m	€m	€m	€m	€m	%
Gross premiums written	9,270			9,148	122	1.3
1. Earned premiums						
Gross	9,274			9,151	123	1.3
Ceded	415			383	32	8.4
Net		8,859		8,768	91	1.0
2. Investment result						
Investment income	4,512			3,625	887	24.5
Investment expenses	3,838			1,635	2,203	134.7
Total		674		1,990	-1,316	-66.1
Thereof: Income from associates		16		210	-194	-92.4
3. Other income		1,030		553	477	86.3
Total income (1-3)			10,563	11,311	-748	-6.6
4. Net expenses for claims and benefits						
Gross	7,276			7,462	-186	-2.5
Ceded share	314			180	134	74.4
Net		6,962		7,282	-320	-4.4
5. Operating expenses						
Gross	2,325			2,263	62	2.7
Ceded share	97			107	-10	-9.3
Net		2,228		2,156	72	3.3
6. Other expenses		1,113		741	372	50.2
Total expenses (4-6)			10,303	10,179	124	1.2
7. Result before impairment losses of goodwill			260	1,132	-872	-77.0
8. Impairment losses of goodwill			-	-	-	-
9. Operating result			260	1,132	-872	-77.0
10. Finance costs			91	89	2	2.2
11. Taxes on income			157	-173	330	-
12. Consolidated result			12	1,216	-1,204	-99.0
Thereof:						
Attributable to Munich Re equity holders			7	1,196	-1,189	-99.4
Attributable to minority interests			5	20	-15	-75.0
			€	€	€	%
Earnings per share			0.03	5.63	-5.60	-99.5

Consolidated income statement (quarterly breakdown)

Items	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007
	€m	€m	€m	€m	€m	€m	€m
Gross premiums written	9,270	9,013	9,844	9,186	9,148	8,908	10,020
1. Earned premiums							
Gross	9,274	9,055	8,870	9,630	9,151	9,263	9,143
Ceded	415	357	323	378	383	402	349
Net	8,859	8,698	8,547	9,252	8,768	8,861	8,794
2. Investment result							
Investment income	4,512	3,896	4,527	3,776	3,625	3,685	3,985
Investment expenses	3,838	2,320	2,840	2,140	1,635	1,200	824
Total	674	1,576	1,687	1,636	1,990	2,485	3,161
Thereof: Income from associates	16	6	47	-6	210	39	21
3. Other income	1,030	613	1,049	804	553	607	412
Total income (1-3)	10,563	10,887	11,283	11,692	11,311	11,953	12,367
4. Net expenses for claims and benefits							
Gross	7,276	7,352	7,093	7,472	7,462	7,736	8,647
Ceded share	314	264	158	269	180	168	226
Net	6,962	7,088	6,935	7,203	7,282	7,568	8,421
5. Operating expenses							
Gross	2,325	2,155	2,159	2,448	2,263	2,365	2,195
Ceded share	97	51	51	66	107	142	78
Net	2,228	2,104	2,108	2,382	2,156	2,223	2,117
6. Other expenses	1,113	672	1,089	998	741	627	516
Total expenses (4-6)	10,303	9,864	10,132	10,583	10,179	10,418	11,054
7. Result before impairment losses of goodwill	260	1,023	1,151	1,109	1,132	1,535	1,313
8. Impairment losses of goodwill	-	-	-	11	-	-	-
9. Operating result	260	1,023	1,151	1,098	1,132	1,535	1,313
10. Finance costs	91	95	86	95	89	79	70
11. Taxes on income	157	307	280	414	-173	298	269
12. Consolidated result	12	621	785	589	1,216	1,158	974
Thereof:							
Attributable to Munich Re equity holders	7	599	775	560	1,196	1,140	958
Attributable to minority interests	5	22	10	29	20	18	16
	€	€	€	€	€	€	€
Earnings per share	0.03	2.94	3.79	2.68	5.63	5.22	4.32

Condensed statement of recognised income and expense for the period 1 January to 30 September 2008

	Q1-3 2008	Q1-3 2007
	€m	€m
Consolidated result	1,418	3,348
Currency translation	201	-294
Unrealised gains and losses on investments	-3,034	-1,210
Change resulting from valuation at equity	-1	-10
Change resulting from cash flow hedges	-	-15
Actuarial gains and losses on defined benefit plans	20	12
Change in consolidated group	27	12
Other changes	-68	15
Income and expense recognised directly in equity	-2,855	-1,490
Total recognised income and expense	-1,437	1,858
Thereof:		
Attributable to Munich Re equity holders	-1,428	1,818
Attributable to minority interests	-9	40
Changes in accordance with IAS 8	-6	-7

Group statement of changes in equity

	Equity attributable to Munich Re equity holders							Minority interests	Total equity	
	Issued capital	Capital reserve	Retained earnings		Other reserves					Consolidated result
			Retained earnings before deduction of own shares	Own shares held	Unrealised gains and losses	Reserve from currency translation	Valuation result from cash flow hedges			
€m										
Status at 31.12.2006	588	6,800	9,860	-460	6,241	-626	14	3,425	478	26,320
Allocation to retained earnings	-	-	2,437	-	-	-	-	-2,437	-	-
Total recognised income and expense	-	-	30	-	-1,195	-297	-14	3,294	40	1,858
Thereof:										
Adjustments pursuant to IAS 8	-	-	-	-	-	1	-	-7	-1	-7
Dividend	-	-	-	-	-	-	-	-988	-18	-1,006
Share buy-backs	-	-	-	-2,315	-	-	-	-	-	-2,315
Retirement of own shares	-	-	-1,500	1,500	-	-	-	-	-	-
Status at 30.9.2007	588	6,800	10,827	-1,275	5,046	-923	-	3,294	500	24,857
Status at 31.12.2007	588	6,800	11,046	-1,265	5,095	-1,161	-	3,854	501	25,458
Allocation to retained earnings	-	-	2,730	-	-	-	-	-2,730	-	-
Total recognised income and expense	-	-	-53	-	-2,963	207	-	1,381	-9	-1,437
Thereof:										
Adjustments pursuant to IAS 8	-	-	-6	-	-	-	-	-	-	-6
Dividend	-	-	-	-	-	-	-	-1,124	-60	-1,184
Share buy-backs	-	-	-	-1,373	-	-	-	-	-	-1,373
Retirement of own shares	-	-	-1,498	1,498	-	-	-	-	-	-
Status at 30.9.2008	588	6,800	12,225	-1,140	2,132	-954	-	1,381	432	21,464

Condensed consolidated cash flow statement for the period 1 January to 30 September 2008

	Q1–3 2008	Q1–3 2007
	€m	€m
Consolidated result	1,418	3,348
Net change in technical provisions	1,997	3,475
Change in deferred acquisition costs	-224	-210
Change in deposits retained and accounts receivable and payable	659	1,625
Change in other receivables and liabilities	59	1,016
Gains and losses on the disposal of investments	-1,141	-2,579
Change in securities held for trading	1,145	-716
Change in other balance sheet items	-764	44
Other income/expenses without impact on cash flow	2,850	899
I. Cash flows from operating activities	5,999	6,902
Inflows from the sale of consolidated companies	-	70
Outflows for the acquisition of consolidated companies	1,244	42
Change from the acquisition, sale and maturities of other investments	342	-4,669
Change from the acquisition and sale of investments for unit-linked life insurance	-244	-192
Other	-447	105
II. Cash flows from investing activities	-1,593	-4,728
Inflows from increases in capital	-	-
Outflows for share buy-backs	1,228	2,315
Dividend payments	1,184	1,006
Change from other financing activities	-790	1,537
III. Cash flows from financing activities	-3,202	-1,784
Cash flows for the financial year (I + II + III)	1,204	390
Effect of exchange rate changes on cash	9	-13
Cash at the beginning of the financial year	2,505	2,172
Cash at the end of the financial year	3,718	2,549

Segment reporting

Segment assets					
	€m	Life and health		Reinsurance	
		30.9.2008	31.12.2007	Property-casualty	31.12.2007
A. Intangible assets		417	338	1,891	1,240
B. Investments					
I. Land and buildings, including buildings on third-party land		394	452	690	649
Thereof:					
Investment property held for sale		–	–	–	–
II. Investments in affiliated companies and associates		2,221	2,480	3,723	3,427
III. Loans		788	235	1,303	308
IV. Other securities					
1. Held to maturity		–	–	–	–
2. Available for sale		10,608	11,146	42,478	48,009
3. Held for trading		333	104	906	494
		10,941	11,250	43,384	48,503
V. Deposits retained on assumed reinsurance		9,617	11,082	1,307	1,714
VI. Other investments		476	609	909	1,206
		24,437	26,108	51,316	55,807
C. Investments for the benefit of life insurance policyholders who bear the investment risk		–	–	–	–
D. Ceded share of technical provisions		376	764	2,776	3,024
E. Other segment assets		6,455	5,833	10,657	8,394
Thereof:					
Other segment assets relating to disposal groups		–	–	–	–
Total segment assets		31,685	33,043	66,640	68,465

		Primary insurance		Asset management		Consolidation		Total		
Life and health		Property-casualty								
	30.9.2008	31.12.2007	30.9.2008	31.12.2007	30.9.2008	31.12.2007	30.9.2008	31.12.2007	30.9.2008	31.12.2007
	2,346	1,666	1,021	1,024	12	11	-2	-2	5,685	4,277
	2,484	2,501	93	94	59	58	-1	-1	3,719	3,753
	-	42	-	20	16	16	-	-	16	78
	547	559	3,677	3,132	108	99	-9,068	-8,529	1,208	1,168
	38,854	35,130	2,250	1,720	1	7	-3,222	-1,898	39,974	35,502
	149	192	5	8	-	-	-	-	154	200
	51,963	53,655	6,013	6,197	30	27	-1	-	111,091	119,034
	1,407	380	429	302	-	-	-	-	3,075	1,280
	53,519	54,227	6,447	6,507	30	27	-1	-	114,320	120,514
	86	278	19	18	-	-	-4,930	-4,886	6,099	8,206
	1,117	2,346	594	602	293	455	-279	-385	3,110	4,833
	96,607	95,041	13,080	12,073	491	646	-17,501	-15,699	168,430	173,976
	2,955	2,178	-	-	-	-	-	-	2,955	2,178
	6,833	6,612	1,630	1,489	-	-	-6,327	-6,263	5,288	5,626
	12,160	12,011	4,207	4,287	126	118	-1,863	-2,447	31,742	28,196
	-	2	-	1	-	-	-	-	-	3
	120,901	117,508	19,938	18,873	629	775	-25,693	-24,411	214,100	214,253

Segment reporting

Segment equity and liabilities

	€m	Reinsurance			
		Life and health		Property-casualty	
		30.9.2008	31.12.2007	30.9.2008	31.12.2007
A. Subordinated liabilities		1,680	1,910	2,818	2,584
B. Gross technical provisions					
I. Unearned premiums		224	186	5,019	4,080
II. Provision for future policy benefits		13,726	14,668	300	748
III. Provision for outstanding claims		3,822	3,653	35,931	34,783
IV. Other technical provisions		825	850	182	274
Thereof:					
Provision for deferred premium refunds relating to disposal groups		-	-	-	-
		18,597	19,357	41,432	39,885
C. Gross technical provisions for life insurance policies where the investment risk is borne by the policyholders		-	-	-	-
D. Other accrued liabilities		240	302	539	477
E. Other segment liabilities		4,116	5,182	7,808	8,004
Thereof:					
Other segment liabilities relating to disposal groups		-	-	-	-
Total segment liabilities		24,633	26,751	52,597	50,950

		Primary insurance				Asset management		Consolidation		Total	
Life and health		Property-casualty									
	30.9.2008	31.12.2007	30.9.2008	31.12.2007	30.9.2008	31.12.2007	30.9.2008	31.12.2007	30.9.2008	31.12.2007	
	114	-	411	393	-	-	-73	-10	4,950	4,877	
	125	104	2,038	1,613	-	-	-346	-264	7,060	5,719	
	88,638	83,958	340	310	-	-	-4,815	-4,749	98,189	94,935	
	2,223	2,186	5,162	4,917	-	-	-898	-975	46,240	44,564	
	7,294	9,554	131	122	-	-	-242	-264	8,190	10,536	
	-	-172	-	-	-	-	-	-	-	-172	
	98,280	95,802	7,671	6,962	-	-	-6,301	-6,252	159,679	155,754	
	3,109	2,308	-	-	-	-	-	-	3,109	2,308	
	718	767	1,200	1,287	38	44	-49	-84	2,686	2,793	
	14,311	14,381	5,856	4,421	388	512	-10,267	-9,437	22,212	23,063	
	-	1	-	-	19	19	-	-	19	20	
	116,532	113,258	15,138	13,063	426	556	-16,690	-15,783	192,636	188,795	
									Equity	21,464	25,458
									Total equity and liabilities	214,100	214,253

Segment reporting

Segment income statement 1.1.–30.9.2008

	€m	Life and health		Reinsurance Property-casualty	
		Q1–3 2008	Q1–3 2007	Q1–3 2008	Q1–3 2007
Gross premiums written		5,187	5,524	10,960	10,945
Thereof:					
From insurance transactions with other segments		517	525	522	673
From insurance transactions with external third parties		4,670	4,999	10,438	10,272
1. Earned premiums					
Gross		5,154	5,528	10,368	10,680
Ceded		195	201	596	579
Net		4,959	5,327	9,772	10,101
2. Investment result					
Investment income		1,937	1,619	6,120	4,096
Investment expenses		927	431	4,151	1,773
Total		1,010	1,188	1,969	2,323
Thereof:					
Income from associates		2	3	15	18
3. Other income		496	231	1,058	486
Total income (1–3)		6,465	6,746	12,799	12,910
4. Expenses for claims and benefits					
Gross		4,016	4,245	7,361	7,375
Ceded share		120	98	345	302
Net		3,896	4,147	7,016	7,073
5. Operating expenses					
Gross		1,357	1,501	2,954	3,079
Ceded share		58	48	138	230
Net		1,299	1,453	2,816	2,849
6. Other expenses		485	298	1,052	621
Total expenses (4–6)		5,680	5,898	10,884	10,543
7. Result before impairment losses of goodwill		785	848	1,915	2,367
8. Impairment losses of goodwill		–	–	–	–
9. Operating result		785	848	1,915	2,367
10. Finance costs		85	80	168	137
11. Taxes on income		85	52	379	167
12. Consolidated result		615	716	1,368	2,063
Thereof:					
Attributable to Munich Re equity holders		615	716	1,368	2,063
Attributable to minority interests		–	–	–	–

		Primary insurance				Asset management		Consolidation		Total	
Life and health		Property-casualty									
Q1-3 2008	Q1-3 2007	Q1-3 2008	Q1-3 2007	Q1-3 2008	Q1-3 2007	Q1-3 2008	Q1-3 2007	Q1-3 2008	Q1-3 2007	Q1-3 2008	Q1-3 2007
8,382	8,391	4,660	4,429	-	-	-1,062	-1,213	28,127	28,076		
2	1	21	14	-	-	-1,062	-1,213	-	-		
8,380	8,390	4,639	4,415	-	-	-	-	28,127	28,076		
8,354	8,360	4,299	4,087	-	-	-976	-1,098	27,199	27,557		
615	639	665	813	-	-	-976	-1,098	1,095	1,134		
7,739	7,721	3,634	3,274	-	-	-	-	26,104	26,423		
5,425	5,408	630	602	41	81	-1,218	-511	12,935	11,295		
3,647	1,384	299	114	10	4	-36	-47	8,998	3,659		
1,778	4,024	331	488	31	77	-1,182	-464	3,937	7,636		
-7	241	35	-5	24	13	-	-	69	270		
1,131	898	506	436	219	249	-718	-728	2,692	1,572		
10,648	12,643	4,471	4,198	250	326	-1,900	-1,192	32,733	35,631		
8,472	10,628	2,617	2,449	-	-	-745	-852	21,721	23,845		
398	415	482	464	-	-	-609	-705	736	574		
8,074	10,213	2,135	1,985	-	-	-136	-147	20,985	23,271		
1,234	1,247	1,371	1,327	-	-	-277	-331	6,639	6,823		
128	174	168	215	-	-	-293	-340	199	327		
1,106	1,073	1,203	1,112	-	-	16	9	6,440	6,496		
1,251	928	676	607	193	249	-783	-819	2,874	1,884		
10,431	12,214	4,014	3,704	193	249	-903	-957	30,299	31,651		
217	429	457	494	57	77	-997	-235	2,434	3,980		
-	-	-	-	-	-	-	-	-	-		
217	429	457	494	57	77	-997	-235	2,434	3,980		
1	1	38	18	1	3	-21	-1	272	238		
127	151	138	1	15	25	-	-2	744	394		
89	277	281	475	41	49	-976	-232	1,418	3,348		
72	249	263	446	41	49	-978	-229	1,381	3,294		
17	28	18	29	-	-	2	-3	37	54		

Segment reporting

Segment income statement 1.7.–30.9.2008

	€m	Life and health		Reinsurance	
		Q3 2008	Q3 2007	Property-casualty	Q3 2007
Gross premiums written		1,794	1,866	3,670	3,610
Thereof:					
From insurance transactions with other segments		164	170	96	160
From insurance transactions with external third parties		1,630	1,696	3,574	3,450
1. Earned premiums					
Gross		1,774	1,876	3,574	3,486
Ceded		67	67	241	208
Net		1,707	1,809	3,333	3,278
2. Investment result					
Investment income		569	541	1,923	1,347
Investment expenses		403	180	1,844	845
Total		166	361	79	502
Thereof:					
Income from associates		-1	2	1	7
3. Other income		200	67	441	150
Total income (1–3)		2,073	2,237	3,853	3,930
4. Expenses for claims and benefits					
Gross		1,367	1,343	2,540	2,379
Ceded share		50	26	145	88
Net		1,317	1,317	2,395	2,291
5. Operating expenses					
Gross		497	575	1,045	963
Ceded share		25	19	54	64
Net		472	556	991	899
6. Other expenses		189	95	430	211
Total expenses (4–6)		1,978	1,968	3,816	3,401
7. Result before impairment losses of goodwill		95	269	37	529
8. Impairment losses of goodwill		-	-	-	-
9. Operating result		95	269	37	529
10. Finance costs		28	31	57	51
11. Taxes on income		3	-77	79	-64
12. Consolidated result		64	315	-99	542
Thereof:					
Attributable to Munich Re equity holders		64	315	-99	542
Attributable to minority interests		-	-	-	-

		Primary insurance				Asset management		Consolidation		Total	
Life and health		Property-casualty									
Q3 2008	Q3 2007	Q3 2008	Q3 2007	Q3 2008	Q3 2007	Q3 2008	Q3 2007	Q3 2008	Q3 2007	Q3 2008	Q3 2007
2,724	2,726	1,347	1,281	-	-	-265	-335	9,270	9,148		
-	-	5	5	-	-	-265	-335	-	-		
2,724	2,726	1,342	1,276	-	-	-	-	9,270	9,148		
2,740	2,740	1,489	1,429	-	-	-303	-380	9,274	9,151		
194	200	216	288	-	-	-303	-380	415	383		
2,546	2,540	1,273	1,141	-	-	-	-	8,859	8,768		
1,908	1,662	196	132	6	24	-90	-81	4,512	3,625		
1,477	562	127	56	4	1	-17	-9	3,838	1,635		
431	1,100	69	76	2	23	-73	-72	674	1,990		
-7	209	22	-8	1	-	-	-	16	210		
365	346	204	147	78	66	-258	-223	1,030	553		
3,342	3,986	1,546	1,364	80	89	-331	-295	10,563	11,311		
2,683	3,155	944	869	-	-	-258	-284	7,276	7,462		
126	126	214	170	-	-	-221	-230	314	180		
2,557	3,029	730	699	-	-	-37	-54	6,962	7,282		
392	382	473	462	-	-	-82	-119	2,325	2,263		
53	60	52	89	-	-	-87	-125	97	107		
339	322	421	373	-	-	5	6	2,228	2,156		
472	410	227	204	67	80	-272	-259	1,113	741		
3,368	3,761	1,378	1,276	67	80	-304	-307	10,303	10,179		
-26	225	168	88	13	9	-27	12	260	1,132		
-	-	-	-	-	-	-	-	-	-		
-26	225	168	88	13	9	-27	12	260	1,132		
1	-	26	6	-	1	-21	-	91	89		
2	47	67	-82	6	6	-	-3	157	-173		
-29	178	75	164	7	2	-6	15	12	1,216		
-32	162	75	156	7	3	-8	18	7	1,196		
3	16	-	8	-	-1	2	-3	5	20		

Segment reporting

Investments ¹									
		Reinsurance		Primary insurance		Asset management		Total	
	€m	30.9.2008	31.12.2007	30.9.2008	31.12.2007	30.9.2008	31.12.2007	30.9.2008	31.12.2007
Europe		33,985	42,820	101,116	99,324	399	559	135,500	142,703
North America		25,515	23,965	4,102	3,349	21	20	29,638	27,334
Asia and Australasia		2,941	2,944	1,766	1,632	32	30	4,739	4,606
Africa, Near and Middle East		574	684	97	40	-	-	671	724
Latin America		688	678	149	109	-	-	837	787
Total		63,703	71,091	107,230	104,454	452	609	171,385	176,154

¹ After elimination of intra-Group transactions across segments.

Gross premiums written ¹							
		Reinsurance		Primary insurance		Total	
	€m	Q1-3 2008	Q1-3 2007	Q1-3 2008	Q1-3 2007	Q1-3 2008	Q1-3 2007
Europe		6,934	7,556	12,782	12,564	19,716	20,120
North America		5,113	4,861	105	157	5,218	5,018
Asia and Australasia		1,624	1,486	109	53	1,733	1,539
Africa, Near and Middle East		613	573	19	19	632	592
Latin America		824	795	4	12	828	807
Total		15,108	15,271	13,019	12,805	28,127	28,076

¹ After elimination of intra-Group reinsurance across segments.

Gross premiums written ¹							
		Reinsurance		Primary insurance		Total	
	€m	Q3 2008	Q3 2007	Q3 2008	Q3 2007	Q3 2008	Q3 2007
Europe		2,280	2,434	3,997	3,907	6,277	6,341
North America		1,943	1,738	29	74	1,972	1,812
Asia and Australasia		517	501	37	8	554	509
Africa, Near and Middle East		196	199	1	4	197	203
Latin America		268	274	2	9	270	283
Total		5,204	5,146	4,066	4,002	9,270	9,148

¹ After elimination of intra-Group reinsurance across segments.

Selected notes to the consolidated financial statements

Recognition and measurement This quarterly report as at 30 September 2008 has been prepared in accordance with International Financial Reporting Standards (IFRSs) as applicable in the European Union. We have complied with all new and amended IFRSs and IFRIC interpretations whose application is compulsory for the first time for periods beginning on 1 January 2008. These amendments do not have any material impact.

On 13 October 2008, the IASB (International Accounting Standards Board) fast-tracked an amendment to IAS 39, Financial Instruments: Recognition and Measurement, relating to the reclassification of financial instruments. The amendment was transposed into European law by European Commission Regulation (EC) No. 1004/2008 of 15 October 2008. Under certain conditions, the amendments permit non-derivative financial instruments in the categories "securities held for trading" and "securities available for sale" to be reclassified under other categories retroactively to 1 July 2008. We have not made use of this reclassification option.

Otherwise, the same principles of recognition, measurement and consolidation have been applied as in our consolidated financial statements as at 31 December 2007. In accordance with IAS 34.41, greater use is made of estimation methods and planning data in preparing our quarterly figures than in our annual financial reporting.

Taxes on income in the Munich Re Group's quarterly financial statements are calculated in the same way as for the consolidated financial statements as at 31 December 2007, i.e. a direct tax calculation is made per quarterly result of the individual consolidated companies.

Changes of €6m resulted from conversion and introduction of IT systems. In accordance with IAS 8, these changes have been recognised through an adjustment to retained earnings. Retrospective application for prior periods did not appear appropriate on cost-benefit grounds.

Changes in the consolidated group The following disclosures regarding first-time recognition are provisional, since among other things there may still be changes in the purchase prices.

On 3 April 2008, through its subsidiary Munich-American Holding Corporation, Wilmington, Delaware, the Munich Re Group acquired 100% of the share capital of US primary insurer The Midland Company (Midland) based in Cincinnati, Ohio, for a total price of €860.9m. The purchase price includes all the incidental acquisition expenses and other charges, such as fees for consulting services and taxes incurred. Via its wholly owned subsidiary American Modern Insurance Group, Midland is a leading US specialty insurer in niche segments such as insurance for manufactured housing, motorcycles, watercraft, snowmobiles and mobile homes and also credit life insurance.

Midland's opening balance sheet at the time of acquisition includes the following IFRS figures (amounts directly prior to the business combination): intangible assets of €267.5m (35.2m), investments of €642.5m (642.5m), a ceded share of technical provisions of €89.3m (89.3m), receivables of €104.4m (104.4m), cash at banks, cheques and cash in hand of €130.8m (130.8m), deferred acquisition costs of €74.2m (74.2m), deferred tax assets of €34.0m (34.0m), other assets of €54.3m (54.3m), subordinated liabilities of €15.4m (15.4m), gross technical provisions of €466.0m (466.0m), other provisions and liabilities of €170.5m (170.5m), and deferred taxes of €138.9m (56.4m).

The income and expenses for the months of April to September have been recognised in the consolidated income statement. In these months, Midland contributed –€11.1m to the consolidated interim result. In the first three quarters of 2008, Midland posted a result of €21.9m and gross premiums written of €526.2m.

In connection with the acquisition of Midland, goodwill of €254.7m and other intangible assets of €237.5m have been recognised. The goodwill is based mainly on the exploitation of additional future business potential and the use of the sales and insurance know-how and the capital strength of the Munich Re Group. In addition, we expect cost savings from economies of scale.

On 30 September 2008, through its subsidiary ERGO Austria International AG, the Munich Re Group acquired a further 60.54% of the shares in Bank Austria Creditanstalt Versicherung for a price of €416.1m, thus increasing its stake to 90%. The purchase price includes all the incidental acquisition expenses and other charges, such as fees for consulting services and taxes incurred.

Bank Austria Creditanstalt Versicherung is a specialty life, pension and personal accident insurer. The company is the fifth-largest life insurer (in terms of market share) in the Austrian market.

The opening balance sheet of Bank Austria Creditanstalt Versicherung at the time of acquisition includes the following IFRS figures (amounts directly prior to the business combination): intangible assets of €501.9m (0.9m), investments of €3,850.6m (3,850.6m), a ceded share of technical provisions of €306.7m (306.7m), other assets of €248.6m (340.2m), gross technical provisions of €3,932.8m (3,970.1m), and other provisions and liabilities of €553.0m (478.0m). In addition, a contingent liability of €3.8m was assumed for a letter of support.

In connection with the acquisition of Bank Austria Creditanstalt Versicherung, goodwill of €194m and other intangible assets of €501m have been recognised. The goodwill and other intangible assets are derived from synergies and the growth potential of Bank Austria Creditanstalt Versicherung. Particularly through Bank Austria's brand reputation and existing distribution network, ERGO will significantly expand the banking business and systematically use Austria as a platform for tapping the promising central and eastern European markets. Considerable added value from synergies is scheduled to result from combining operations, transferring know-how and enhancing efficient use of resources following the restructuring of all ERGO companies in Austria.

The company was consolidated for the first time in our financial statements as at the end of the third quarter 2008. No income or expenses have impacted the consolidated income statement so far. In the first three quarters, Bank Austria Creditanstalt Versicherung posted total premiums of €423.4m and a result of –€22.8m. As the acquisition took place on 30 September 2008, the values determined are not yet final; the figures shown here are therefore of a provisional nature. The goodwill has so far not been allocated to any cash-generating unit, since the integration project involving ERGO's operations in Austria has not yet been completed.

On 1 April 2008, through its subsidiary Munich-American Holding Corporation, Wilmington, Delaware, the Munich Re Group acquired 100% of the share capital of Sterling Life Insurance Company (Sterling) and Olympic Health Management Systems, Inc. (Olympic) – both based in Bellingham, Washington State – at a total price of €222.4m. The purchase price includes all the incidental acquisition expenses and other charges, such as fees for consulting services and taxes incurred.

Sterling is a leading provider of health insurance benefits for seniors in the USA. The additionally acquired service company Olympic offers administration and management services for insurers. Olympic's operations currently focus on managing Sterling's business operations.

The combined opening balance sheet of Sterling and Olympic at the time of acquisition, after elimination of their reciprocal business, includes the following provisional IFRS figures (amounts directly prior to the business combination): intangible assets of €74.4m (0.6m), investments of €95.9m (95.9m), a ceded share of technical provisions of €2.3m (2.3m), cash at banks, cheques and cash in hand of €92.4m (92.4m), receivables, deferred acquisition costs and other assets of €23.9m (25.4m), gross technical provisions of €71.8m (71.8m), and other provisions, liabilities and deferred taxes of €27.9m (28.2m).

In connection with the acquisition of the two companies, goodwill of €33.2m and other intangible assets of €73.8m have been recognised. The goodwill is based mainly on the exploitation of additional future business potential.

Since the time of acquisition, the provisional figures have been adjusted. The adjustments mainly involve the reduction of the purchase price by €6.9m and the reduction of goodwill by €4.7m.

The income and expenses for the months April to September 2008 have been recognised in the consolidated income statement. During this period, Sterling and Olympic contributed €8.5m to the consolidated interim result for 2008. In the first three quarters of 2008, Sterling and Olympic posted gross premiums written of €500.8m and a result of €6.3m.

As at 28 March 2008, we acquired 65% of the share capital of ERGO Daum Direct Auto Insurance Co., Seoul, for a price of €68.9m. This price, which includes all the incidental acquisition expenses and other charges, such as fees for consulting services and taxes incurred, was paid in part as a capital increase.

ERGO Daum Direct has an exceptional competitive position in the South Korean direct motor insurance market and is the country's second-largest motor insurer.

The opening balance sheet at the time of acquisition includes the following IFRS figures (amounts directly prior to the business combination): intangible assets of €26.4m (1.8m), investments of €112.2m (112.1m), a ceded share of technical provisions of €55.0m (52.1m), other assets of €49.7 (48.2m), gross technical provisions of €120.7m (116.0m), and other liabilities of €58.8m (52.1m).

In connection with the acquisition of the shareholding in ERGO Daum Direct Auto Insurance, goodwill of €26.3m and other intangible assets of €24.6m have been recognised. The goodwill and other intangible assets are based on our expectations regarding the company's profitability and growth potential, deriving in particular from the company's good reputation and brand, experienced management team, and integration in ERGO's international insurance network.

The income and expenses for the months of April to September 2008 have been recognised in the consolidated income statement. During this period, ERGO Daum Direct contributed –€0.5m to the consolidated interim result for 2008. In the first three quarters of 2008, ERGO Daum Direct posted gross premiums written of €115.7m and a result of –€11.7m.

On 30 April 2008, through its subsidiary Munich Re Holding Company (UK) Ltd., the Munich Re Group acquired 100% of the shares in the holding com-

pany The Roanoke Companies, Inc. (TRC), Schaumburg/Chicago (Illinois) for a price of €34.0m. The purchase price includes a two-year earn-out agreement with the seller, estimated at €4.5m, as well as incidental acquisition expenses and other charges, such as fees for consulting services and taxes incurred. TRC owns Roanoke Trade Services, Inc. and Roanoke Real Estate Holdings, Inc. The TRC Group operates as a major marine insurance underwriting agency and broker in the USA (licensed in 50 states).

The TRC Group's opening balance sheet at the time of acquisition includes the following IFRS figures (amounts directly prior to the business combination): intangible assets of €43.0m (3.2m), other assets of €18.1m (18.1m), other liabilities of €12.4m (12.4m) and deferred taxes of €14.7m (0.2m).

In connection with the acquisition of the shareholding in TRC, other intangible assets of €42.8m and deferred tax liabilities of €14.5m have been recognised.

The income and expenses for the months of May to September 2008 have been recognised in the consolidated income statement. During this period, the TRC Group contributed €0.4m to the consolidated interim result for 2008. In the first three quarters of 2008, the TRC Group posted other income of €11.6m and a result of €1.2m.

Foreign currency translation Munich Re's presentation currency is the euro (€). The following table shows the exchange rates of the most important currencies for our business:

Currency translation rate	Balance sheet					Income statement		
	30.9.2008	31.12.2007	Q3 2008	Q2 2008	Q1 2008	Q3 2007	Q2 2007	Q1 2007
Rate for €1	30.9.2008	31.12.2007	Q3 2008	Q2 2008	Q1 2008	Q3 2007	Q2 2007	Q1 2007
Australian dollar	1.78075	1.66515	1.69554	1.65619	1.65661	1.62295	1.62254	1.66693
Canadian dollar	1.49340	1.44300	1.56434	1.57810	1.50544	1.43712	1.48145	1.53558
Pound sterling	0.78800	0.73445	0.79462	0.79268	0.75742	0.67997	0.67890	0.67059
Rand	11.63150	9.99215	11.68260	12.14370	11.30410	9.75928	9.56422	9.48893
Swiss franc	1.57500	1.65525	1.61101	1.61184	1.60073	1.64788	1.64734	1.61619
US dollar	1.40465	1.46205	1.50378	1.56232	1.49863	1.37407	1.34828	1.31062
Yen	149.1250	163.3330	161.7500	163.4090	157.7030	161.9790	162.7890	156.4280

Notes to the consolidated balance sheet The main items of the consolidated balance sheet are made up as follows:

Intangible assets			
	€m	30.9.2008	31.12.2007
I. Goodwill		3,714	3,135
II. Other intangible assets		1,971	1,142
Thereof:			
Software		337	348
Purchased insurance portfolios		850	537
Other		784	257
Total		5,685	4,277

Numbers of shares in circulation and number of own shares held

	Number of shares	30.9.2008	31.12.2007
Number of shares in circulation		197,280,388	207,824,071
Number of own shares held		9,123,416	10,064,599
Total		206,403,804	217,888,670

The equities portfolio contains 6,713,566 shares acquired in the share buy-back programme decided on by the Board of Management on 6 May 2008.

Minority interests

	€m	30.9.2008	31.12.2007
Unrealised gains and losses		-42	28
Consolidated result		37	77
Other equity		437	396
Total		432	501

These are mainly minority interests in the ERGO Insurance Group.

Subordinated liabilities

	€m	30.9.2008	31.12.2007
Munich Reinsurance Company, Munich, 6.75%, €3,000m, Bonds 2003/2023 S&P rating: A		2,981	2,980
Munich Reinsurance Company, Munich, 7.625%, €300m, Bonds 2003/2028 S&P rating: A		378	405
Munich Reinsurance Company, Munich, until 2017 5.767%, thereafter variable, €1,498 ¹ , Bonds 2007/perpetual S&P rating: A		1,499	1,492
The Midland Company, Cincinnati, LIBOR +350 BP, US\$ 24m, Bonds 2004/2034 Rating: -		17	-
Bank Austria Creditanstalt Versicherung AG, Vienna, 4.95%, €44m, Registered bonds 2004/2014 Rating: -		44	-
Bank Austria Creditanstalt Versicherung AG, Vienna, secondary market yield on federal government bonds (Austria) +70 BP, €31m, Registered bonds 1998 and 2001/perpetual Rating: -		31	-
Total		4,950	4,877

¹ Bank Austria Creditanstalt Versicherung AG, consolidated in the financial statements for the first time as at 30 September 2008, holds bonds with a nominal value of €2m; the volume outstanding has been reduced accordingly.

Bonds and notes issued

	€m	30.9.2008	31.12.2007
Munich Re America Corporation, Princeton, 7.45%, US\$ 421m, Senior notes 1996/2026 ¹ S&P rating: A-		299	341
Total		299	341

¹ In August 2008, the issuer redeemed notes with a nominal value of US\$ 79m.

Notes to the consolidated income statement The main items of the consolidated income statement are made up as follows:

Premiums	Reinsurance				Primary insurance				Total	
	Life and health		Property-casualty		Life and health		Property-casualty			
	€m ¹	Q1–3 2008	Q1–3 2007	Q1–3 2008	Q1–3 2007	Q1–3 2008	Q1–3 2007	Q1–3 2008	Q1–3 2007	Q1–3 2008
Gross premiums written	4,670	4,999	10,438	10,272	8,380	8,390	4,639	4,415	28,127	28,076
Change in unearned premiums										
Gross	35	–1	504	146	28	31	361	343	928	519
Gross earned premiums	4,635	5,000	9,934	10,126	8,352	8,359	4,278	4,072	27,199	27,557
Ceded premiums written	195	199	639	505	97	104	209	243	1,140	1,051
Change in unearned premiums										
Ceded share	–	–1	43	–74	–	–	2	–8	45	–83
Earned premiums										
Ceded	195	200	596	579	97	104	207	251	1,095	1,134
Net earned premiums	4,440	4,800	9,338	9,547	8,255	8,255	4,071	3,821	26,104	26,423

¹ After elimination of intra-Group transactions across segments.

Premiums	Reinsurance				Primary insurance				Total	
	Life and health		Property-casualty		Life and health		Property-casualty			
	€m ¹	Q3 2008	Q3 2007	Q3 2008	Q3 2007	Q3 2008	Q3 2007	Q3 2008	Q3 2007	Q3 2008
Gross premiums written	1,630	1,696	3,574	3,450	2,724	2,726	1,342	1,276	9,270	9,148
Change in unearned premiums										
Gross	22	–10	117	167	–16	–13	–127	–147	–4	–3
Gross earned premiums	1,608	1,706	3,457	3,283	2,740	2,739	1,469	1,423	9,274	9,151
Ceded premiums written	67	66	254	234	30	28	56	51	407	379
Change in unearned premiums										
Ceded share	–1	–	13	26	–	–	–20	–30	–8	–4
Earned premiums										
Ceded	68	66	241	208	30	28	76	81	415	383
Net earned premiums	1,540	1,640	3,216	3,075	2,710	2,711	1,393	1,342	8,859	8,768

¹ After elimination of intra-Group transactions across segments.

Investment result by type of investment and segment

	Reinsurance				Primary insurance				Asset management		Total	
	Life and health		Property-casualty		Life and health		Property-casualty		Q1-3 2008	Q1-3 2007	Q1-3 2008	Q1-3 2007
	€m ¹	Q1-3 2008	Q1-3 2007	Q1-3 2008	Q1-3 2007	Q1-3 2008	Q1-3 2007	Q1-3 2008				
Land and buildings, including buildings on third-party land	3	55	17	227	128	435	5	27	3	3	156	747
Investments in affiliated companies	-2	-2	7	-10	-6	5	1	-11	-8	1	-8	-17
Investments in associates	2	3	15	18	-6	241	34	-4	24	12	69	270
Loans	3	3	10	8	1,072	961	59	44	-	-	1,144	1,016
Other securities held to maturity	-	-	1	-	6	9	-	-	-	-	7	9
Other securities available for sale												
Fixed-interest	537	477	1,033	843	1,395	1,223	173	135	2	4	3,140	2,682
Non-fixed-interest	-305	333	-1,123	1,383	-1,137	1,318	4	169	-	-	-2,561	3,203
Other securities held for trading												
Fixed-interest	1	-	22	11	-1	-1	11	7	-	-	33	17
Non-fixed-interest	-	-	-	-	-	-	-	1	-	-	-	1
Derivatives	362	-53	1,331	-237	790	-80	46	-	-	-	2,529	-370
Deposits retained on assumed reinsurance, and other investments	130	246	33	19	-9	-21	26	12	10	48	190	304
Investments for the benefit of life insurance policyholders who bear the investment risk	-	-	-	-	-356	51	-	-	-	-	-356	51
Expenses for the management of investments, other expenses	43	22	194	93	149	146	20	16	-	-	406	277
Total	688	1,040	1,152	2,169	1,727	3,995	339	364	31	68	3,937	7,636

¹ After elimination of intra-Group transactions across segments.

Investment result by type of investment and segment

	Reinsurance				Primary insurance				Asset management		Total	
	Life and health		Property-casualty		Life and health		Property-casualty		Q3 2008	Q3 2007	Q3 2008	Q3 2007
	€m ¹	Q3 2008	Q3 2007	Q3 2008	Q3 2007	Q3 2008	Q3 2007	Q3 2008				
Land and buildings, including buildings on third-party land	3	4	14	16	37	42	1	1	1	1	56	64
Investments in affiliated companies	-2	-	-12	-1	-2	-4	-1	-	-3	1	-20	-4
Investments in associates	-3	2	3	7	-6	209	21	-7	1	-1	16	210
Loans	1	1	5	3	294	338	22	15	-	-	322	357
Other securities held to maturity	-	-	1	-	1	3	-	-	-	-	2	3
Other securities available for sale												
Fixed-interest	183	153	263	256	401	314	53	43	1	2	901	768
Non-fixed-interest	-78	89	-585	382	-497	187	-59	16	-	-	-1,219	674
Other securities held for trading												
Fixed-interest	1	-	16	8	-2	-1	4	-2	-	-	19	5
Non-fixed-interest	-	-	-	-	-	-	-	1	-	-	-	1
Derivatives	12	-19	469	-98	382	78	28	1	-	-	891	-38
Deposits retained on assumed reinsurance, and other investments	41	65	5	-2	-9	-13	6	9	3	18	46	77
Investments for the benefit of life insurance policyholders who bear the investment risk	-	-	-	-	-136	-25	-	-	-	-	-136	-25
Expenses for the management of investments, other expenses	19	8	130	36	48	51	7	7	-	-	204	102
Total	139	287	49	535	415	1,077	68	70	3	21	674	1,990

¹ After elimination of intra-Group transactions across segments.

Investment income by segment													
		Reinsurance				Primary insurance				Asset management		Total	
		Life and health		Property-casualty		Life and health		Property-casualty					
€m ¹	Q1-3 2008	Q1-3 2007	Q1-3 2008	Q1-3 2007	Q1-3 2008	Q1-3 2007	Q1-3 2008	Q1-3 2007	Q1-3 2008	Q1-3 2007	Q1-3 2008	Q1-3 2007	
Regular income	768	920	1,454	1,653	3,417	3,300	336	296	37	71	6,012	6,240	
Income from write-ups	368	134	1,597	566	951	93	42	5	-	-	2,958	798	
Gains on the disposal of investments	474	410	2,245	1,715	968	1,884	253	175	4	1	3,944	4,185	
Other income	-	-	-	-	21	72	-	-	-	-	21	72	
Total	1,610	1,464	5,296	3,934	5,357	5,349	631	476	41	72	12,935	11,295	

¹ After elimination of intra-Group transactions across segments.

Investment income by segment													
		Reinsurance				Primary insurance				Asset management		Total	
		Life and health		Property-casualty		Life and health		Property-casualty					
€m ¹	Q3 2008	Q3 2007	Q3 2008	Q3 2007	Q3 2008	Q3 2007	Q3 2008	Q3 2007	Q3 2008	Q3 2007	Q3 2008	Q3 2007	
Regular income	232	280	447	508	1,142	1,059	122	86	5	22	1,948	1,955	
Income from write-ups	149	57	672	252	353	63	24	3	-	-	1,198	375	
Gains on the disposal of investments	159	140	771	607	376	530	45	37	1	-	1,352	1,314	
Other income	-	-	-	-	14	-19	-	-	-	-	14	-19	
Total	540	477	1,890	1,367	1,885	1,633	191	126	6	22	4,512	3,625	

¹ After elimination of intra-Group transactions across segments.

Investment expenses by segment													
		Reinsurance				Primary insurance				Asset management		Total	
		Life and health		Property-casualty		Life and health		Property-casualty					
€m ¹	Q1-3 2008	Q1-3 2007	Q1-3 2008	Q1-3 2007	Q1-3 2008	Q1-3 2007	Q1-3 2008	Q1-3 2007	Q1-3 2008	Q1-3 2007	Q1-3 2008	Q1-3 2007	
Write-downs of investments	549	199	2,420	874	2,127	463	177	27	1	1	5,274	1,564	
Losses on the disposal of investments	321	182	1,492	713	887	643	94	68	9	-	2,803	1,606	
Management expenses, interest charges and other expenses	52	43	232	178	616	248	21	17	-	3	921	489	
Total	922	424	4,144	1,765	3,630	1,354	292	112	10	4	8,998	3,659	

¹ After elimination of intra-Group transactions across segments.

Investment expenses by segment													
		Reinsurance				Primary insurance				Asset management		Total	
		Life and health		Property-casualty		Life and health		Property-casualty					
€m ¹	Q3 2008	Q3 2007	Q3 2008	Q3 2007	Q3 2008	Q3 2007	Q3 2008	Q3 2007	Q3 2008	Q3 2007	Q3 2008	Q3 2007	
Write-downs of investments	248	95	1,092	439	927	151	83	16	-	-	2,350	701	
Losses on the disposal of investments	123	77	614	317	314	320	33	34	3	-	1,087	748	
Management expenses, interest charges and other expenses	30	18	135	76	229	85	7	6	-	1	401	186	
Total	401	190	1,841	832	1,470	556	123	56	3	1	3,838	1,635	

¹ After elimination of intra-Group transactions across segments.

Expenses for claims and benefits											
	Reinsurance				Primary insurance				Total		
	Life and health		Property-casualty		Life and health		Property-casualty				
	€m ¹	Q1-3 2008	Q1-3 2007	Q1-3 2008	Q1-3 2007	Q1-3 2008	Q1-3 2007	Q1-3 2008	Q1-3 2007	Q1-3 2008	Q1-3 2007
Gross											
Claims and benefits paid		3,058	3,105	6,247	6,535	7,360	7,324	2,356	2,239	19,021	19,203
Change in technical provisions											
Provision for future policy benefits		326	373	19	17	835	1,450	27	30	1,207	1,870
Provision for outstanding claims		121	249	797	466	14	-100	207	149	1,139	764
Provision for premium refunds		-	-	6	-5	180	1,834	10	20	196	1,849
Other technical result		18	-	19	7	95	144	26	8	158	159
Gross expenses for claims and benefits		3,523	3,727	7,088	7,020	8,484	10,652	2,626	2,446	21,721	23,845
Ceded share											
Claims and benefits paid		134	285	749	766	59	54	130	201	1,072	1,306
Change in technical provisions											
Provision for future policy benefits		-2	-15	-	-	54	64	-	-	52	49
Provision for outstanding claims		-10	-154	-393	-455	-1	-3	82	-98	-322	-710
Provision for premium refunds		-	-	-	-	-	-	-	1	-	1
Other technical result		-1	-18	-12	-8	-52	-47	-1	1	-66	-72
Expenses for claims and benefits Ceded share		121	98	344	303	60	68	211	105	736	574
Net											
Claims and benefits paid		2,924	2,820	5,498	5,769	7,301	7,270	2,226	2,038	17,949	17,897
Change in technical provisions											
Provision for future policy benefits		328	388	19	17	781	1,386	27	30	1,155	1,821
Provision for outstanding claims		131	403	1,190	921	15	-97	125	247	1,461	1,474
Provision for premium refunds		-	-	6	-5	180	1,834	10	19	196	1,848
Other technical result		19	18	31	15	147	191	27	7	224	231
Net expenses for claims and benefits		3,402	3,629	6,744	6,717	8,424	10,584	2,415	2,341	20,985	23,271

¹ After elimination of intra-Group transactions across segments.

Expenses for claims and benefits											
€m ¹	Reinsurance				Primary insurance				Total		
	Life and health		Property-casualty		Life and health		Property-casualty		Q3 2008	Q3 2007	
	Q3 2008	Q3 2007	Q3 2008	Q3 2007	Q3 2008	Q3 2007	Q3 2008	Q3 2007			
Gross											
Claims and benefits paid	1,099	985	2,136	2,078	2,423	2,371	809	773	6,467	6,207	
Change in technical provisions											
Provision for future policy benefits	72	90	-5	8	107	261	9	9	183	368	
Provision for outstanding claims	22	105	286	165	54	-4	115	72	477	338	
Provision for premium refunds	-	-	4	2	65	493	3	11	72	506	
Other technical result	14	1	5	5	46	35	12	2	77	43	
Gross expenses for claims and benefits	1,207	1,181	2,426	2,258	2,695	3,156	948	867	7,276	7,462	
Ceded share											
Claims and benefits paid	30	29	117	190	20	14	34	67	201	300	
Change in technical provisions											
Provision for future policy benefits	-8	-7	-	-	18	24	-	-	10	17	
Provision for outstanding claims	26	12	29	-99	-1	-3	66	-23	120	-113	
Provision for premium refunds	-	-	-	-	-	-	-	-	-	-	
Other technical result	3	-7	-2	-2	-18	-16	-	1	-17	-24	
Expenses for claims and benefits Ceded share	51	27	144	89	19	19	100	45	314	180	
Net											
Claims and benefits paid	1,069	956	2,019	1,888	2,403	2,357	775	706	6,266	5,907	
Change in technical provisions											
Provision for future policy benefits	80	97	-5	8	89	237	9	9	173	351	
Provision for outstanding claims	-4	93	257	264	55	-1	49	95	357	451	
Provision for premium refunds	-	-	4	2	65	493	3	11	72	506	
Other technical result	11	8	7	7	64	51	12	1	94	67	
Net expenses for claims and benefits	1,156	1,154	2,282	2,169	2,676	3,137	848	822	6,962	7,282	

¹ After elimination of intra-Group transactions across segments.

Operating expenses											
	€m ¹	Reinsurance				Primary insurance				Total	
		Life and health		Property-casualty		Life and health		Property-casualty		Q1-3 2008	Q1-3 2007
		Q1-3 2008	Q1-3 2007	Q1-3 2008	Q1-3 2007	Q1-3 2008	Q1-3 2007	Q1-3 2008	Q1-3 2007		
Acquisition costs	-	-6	76	-25	905	933	863	817	1,844	1,719	
Management expenses	223	178	605	614	311	314	498	501	1,637	1,607	
Amortisation of acquired insurance portfolios	4	-1	-	1	18	-7	-	-	22	-7	
Reinsurance commission and profit commission	981	1,176	2,129	2,305	9	16	17	7	3,136	3,504	
Gross operating expenses	1,208	1,347	2,810	2,895	1,243	1,256	1,378	1,325	6,639	6,823	
Ceded share of acquisition costs	19	9	2	16	-34	-2	1	4	-12	27	
Commission received on ceded business	39	39	135	214	14	14	23	33	211	300	
Operating expenses Ceded share	58	48	137	230	-20	12	24	37	199	327	
Net operating expenses	1,150	1,299	2,673	2,665	1,263	1,244	1,354	1,288	6,440	6,496	

¹ After elimination of intra-Group transactions across segments.

Operating expenses											
	€m ¹	Reinsurance				Primary insurance				Total	
		Life and health		Property-casualty		Life and health		Property-casualty		Q3 2008	Q3 2007
		Q3 2008	Q3 2007	Q3 2008	Q3 2007	Q3 2008	Q3 2007	Q3 2008	Q3 2007		
Acquisition costs	14	20	48	-15	287	301	310	294	659	600	
Management expenses	82	57	216	200	99	98	155	165	552	520	
Amortisation of acquired insurance portfolios	1	-1	-	1	6	-18	-	-	7	-18	
Reinsurance commission and profit commission	351	444	737	708	3	6	16	3	1,107	1,161	
Gross operating expenses	448	520	1,001	894	395	387	481	462	2,325	2,263	
Ceded share of acquisition costs	14	7	-7	-2	1	-	3	5	11	10	
Commission received on ceded business	11	12	60	66	5	3	10	16	86	97	
Operating expenses Ceded share	25	19	53	64	6	3	13	21	97	107	
Net operating expenses	423	501	948	830	389	384	468	441	2,228	2,156	

¹ After elimination of intra-Group transactions across segments.

The main changes in premiums in the consolidated balance sheet and the consolidated income statement in relation to the comparative figures shown, as well as their development in the period under review, are explained in more detail in the management report on page 4.

Non-current assets and disposal groups held for sale

The property portfolio of HGE Haus- und Grundbesitzgesellschaft Elsterwerda mbH was classified in disposal groups in the second quarter of 2007; the carrying amount of this property remains unchanged at the reporting date. We still expect to conclude the purchase contract in 2008.

We decided in the fourth quarter of 2007 to sell our stake in MPE Hotel I L.L.C., New York. However, the planned sale of the stake will not now take place in 2008, as it is no longer considered an attractive proposition in the changed market environment. At the time the sales activities were terminated, no expenditure from continuing operations had accrued.

Related parties Transactions between Munich Re and subsidiaries that are to be deemed related parties have been eliminated in consolidation and are not disclosed in the notes. Business relations with unconsolidated subsidiaries are of subordinate importance as a whole; this also applies to business relations with associates.

There were no notifiable transactions between Board members and the Munich Re Group.

Number of staff The number of staff employed by the Group as at 30 September 2008 totalled 25,548 (25,565) in Germany and 18,266 (13,069) in other countries.

Number of staff		
	30.9.2008	31.12.2007
Reinsurance companies	10,345	7,372
Primary insurance companies	32,668	30,460
Asset management	801	802
Total	43,814	38,634

The increase is mainly due to international acquisitions.

Contingent liabilities, other financial commitments In comparison with the situation at 31 December 2007, financial commitments of significance for the assessment of the Group's financial position show two main changes: an increase of €290m in investment commitments and an increase of €258m in other financial commitments. 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 result for the reporting period by the weighted average number of shares.

Earnings per share					
		Q1-3 2008	Q1-3 2007	Q3 2008	Q3 2007
Consolidated result attributable to Munich Re equity holders	€m	1,381	3,294	7	1,196
Weighted average number of shares		202,522,276	217,464,503	199,321,506	212,696,273
Earnings per share	€	6.82	15.15	0.03	5.63

The put options sold by Munich Reinsurance Company only have an insignificant diluting effect on earnings per share.

Events after the balance sheet date Put options we sold on Munich Re shares in February 2008 were exercised by the holders in October 2008. As a result, up to the end of October 2008, we acquired 1.3 million Munich Re shares with a volume of €149m after the balance sheet date.

The German financial-service provider Hypo Real Estate has also become embroiled in the financial market crisis. In addition to German banks, the insurance sector has agreed to provide guarantees and liquidity support for the Hypo Real Estate rescue package. The Munich Re Group's potential share of this is in the very low three-digit million euro range in each case.

Drawn up and released for publication, Munich, 6 November 2008

The Board of Management

Review report

To Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München

We have reviewed the condensed interim consolidated financial statements – comprising the balance sheet, the income statement, the condensed cash flow statement, the condensed statement of changes in equity as well as the selected explanatory notes – and the interim management report of Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München, for the period from 1 January 2008 to 30 September 2008, which are parts of the quarterly financial report in accordance with Section 37x para. 3 of the WpHG (German Securities Trading Act). The preparation of the condensed interim consolidated financial statements in accordance with IFRS for Interim Financial Reporting, as adopted by the EU, and of the interim management report, which has been prepared according to the applicable regulations for interim management reports of the WpHG, are the responsibility of the Company's management. Our responsibility is to issue a report on these condensed interim consolidated financial statements and the interim management report based on our review.

We have performed our review of the condensed interim consolidated financial statements and the interim management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and conduct the review so that we can, through critical evaluation, preclude, with a certain level of assurance, that the interim consolidated financial statements have not been prepared, in material aspects, in accordance with IFRS for Interim Financial Reporting, as adopted by the EU, and that the interim management report has not been prepared according to the applicable regulations of the WpHG. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared in all material respects in accordance with IFRS for Interim Financial Reporting, as adopted by the EU, and that the interim management report has not been prepared according to the applicable regulations for interim management reports of the WpHG.

Munich, 7 November 2008
KPMG Bayerische Treuhandgesellschaft
Aktiengesellschaft Wirtschaftsprüfungsgesellschaft

Klaus Becker
Wirtschaftsprüfer
(Certified public accountant)

Martin Berger
Wirtschaftsprüfer
(Certified public accountant)

Important dates 2009

2009

3 March 2009	Balance-sheet press conference for 2008 financial statements (preliminary figures)
13 March 2009	Balance-sheet meeting of the Supervisory Board
13 March 2009	Annual report for the financial year 2008
22 April 2009	Annual General Meeting
23 April 2009	Dividend payment
6 May 2009	Interim report as at 31 March 2009
4 August 2009	Interim report as at 30 June 2009
4 August 2009	Half-year press conference
5 November 2009	Interim report as at 30 September 2009

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Group Reporting

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The official German original of this report is also available from the Company. In addition, you can find our annual reports and interim reports, along with further information about Munich Re, on the internet at www.munichre.com.

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