

The Munich Re Group

Quarterly financial statements at 30.6.2004

Media conference

Nikolaus von Bomhard

Jörg Schneider

6 August 2004



Münchener Rück
Munich Re Group



Nikolaus von Bomhard

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Jörg Schneider

Key figures Q1–2 2004

Munich Re Group in total	8
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Reinsurance segment	17
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Primary insurance segment	21
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Our programme

Firm focus on a profitable future

**Enhancing and sustaining
reinsurance profitability**

Reinsurance
Combined ratio at 95.5%
in Q1–2 2004

**Leading primary insurance
back to sustainable profitability**

Primary insurance
Net profit of €71m
in Q1–2 2004

**Realising integrated
risk management – "Derisking"**

Allianz stake
now <10%

in €m

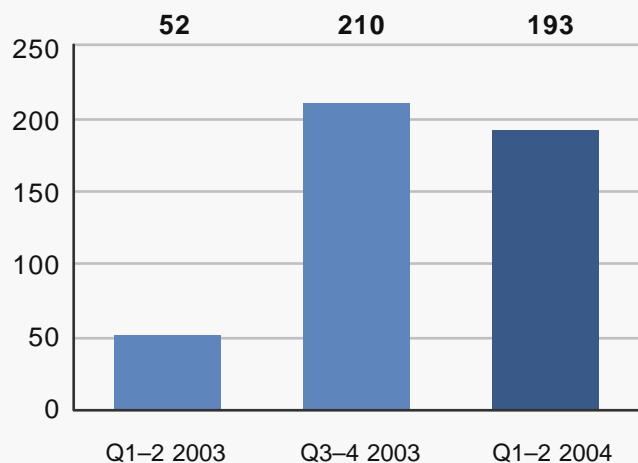
Q1–2 2004

▪ Net profit	1,162
▪ Result before amortisation of goodwill	1,967
▪ Shareholders' equity	19,109

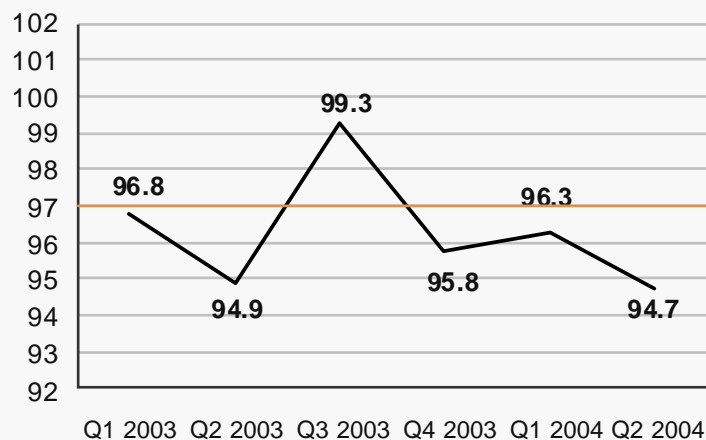
Reinsurance Delivering on our targets

Enhancing and sustaining reinsurance profitability

Net profit
life and health reinsurance
in €m



Combined ratio
non-life reinsurance
in %



Reinsurance
in Q1-2 2004:

Profit of €1,093m

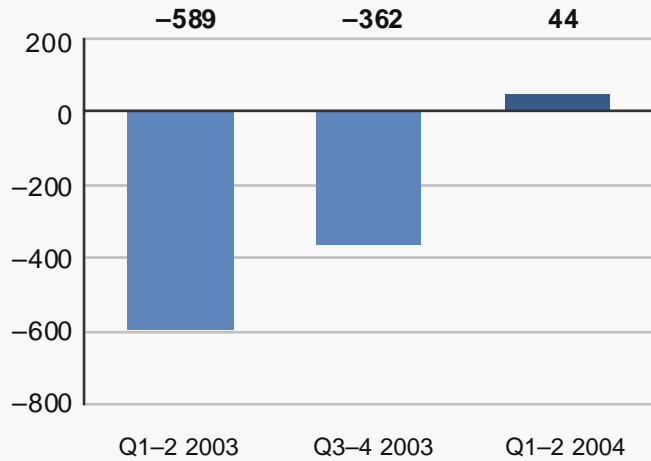
Combined ratio
of 95.5%

Primary insurance Delivering on our targets

Leading primary insurance back to sustainable profitability

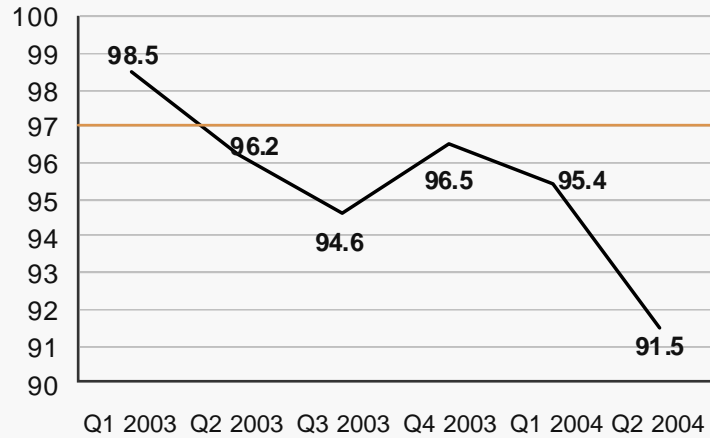
Net profit primary insurance
life and health

in €m



Combined ratio primary insurance
property-casualty*

in %



Primary insurance
in Q1-2 2004:

Profit of €71m

Combined ratio
of 93.4%

*Inclusive legal protection

US casualty

Key project results

- Detailed analysis of key drivers (past and future) of US casualty insurance and reinsurance, and identification of future appetite for workers' comp., general liability/umbrella, professional liability/D&O, auto and homeowners:
 - Legal system is a key driver, but not solely responsible for the problems in the US casualty market
 - Competitive behaviour of the industry is a key driver of the historically poor results
 - (Superimposed) inflation and emerging risks are other key drivers
- Consequences:
 - Need for a collaborative technical approach to manage key drivers: Competitive advantage of American Re and the Munich Re Group
 - Enhanced cooperation and better integration of processes and systems: Head of American Re Corporate Underwriting, in addition to his present responsibilities, will become a member of Group Corporate Underwriting



Munich Re convinced US casualty can be written profitably in the future, with American Re as main underwriter to write this business

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Income statement

Strong half-year results



in €m	Q1–2 2004	Q1–2 2003	▲ in %
Gross premiums written	19,676	20,760	–5.2
Net earned premiums	18,161	18,521	–1.9
Investment result	4,063	2,006	102.5
Total income	22,807	21,026	8.5
Total expenses	20,840	20,007	4.2
Result before amortisation of goodwill	1,967	1,019	93.0
Amortisation of goodwill	121	162	–25.3
Operating result before tax	1,846	857	115.4
Tax	654	1,418	–53.9
Minority interests in earnings	30	–32	–
Group result	1,162	–529	–
Earnings per share in €	5.08	–2.82	–

Premium income still at a high level

Solid investment returns

Additions to provisions for policyholders' bonuses accordingly high

Result before amortisation of goodwill nearly doubled



Gross premiums written

Within our expectations

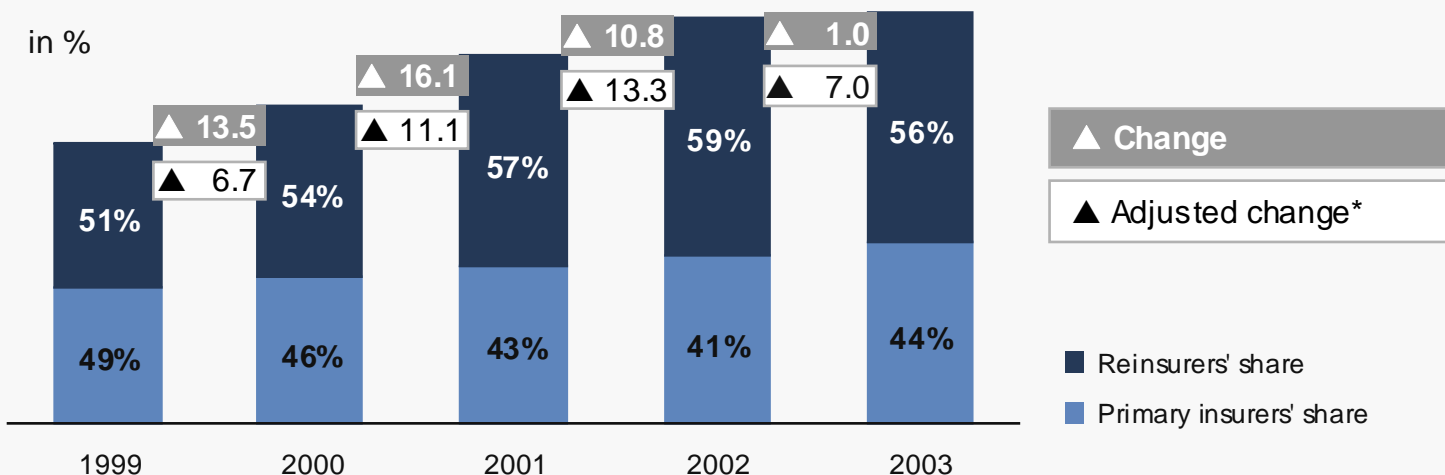
in €bn	Q1–2 2004	Q1–2 2003
Gross premiums written	19.7	20.8
Change	–5.2%	1.5%
Adjusted change*	–2.0%	7.8%
Reinsurers' share	55%	57%
Primary insurers' share	45%	43%

Decrease in premiums due to

- strength of Euro
- strict underwriting policy
- high level already achieved

[CAGR (Compound Annual Growth Rate) 1999–2003: 8.1%]

Gross premiums written in €bn				
27.4	31.1	36.1	40.0	40.4



*Excluding currency fluctuations and acquisitions/divestments

Development of exchange rates

US\$ weakened premium, strengthened shareholders' equity



□ **Income statement**
(average exchange rates)

■ **Balance sheet**
(period-end exchange rates)

Change in exchange rate compared with last year

For income statement:

Q2 2004
from
Q2 2003 -5.7%

For balance sheet:

30.6.04
from
31.12.03 3.7%



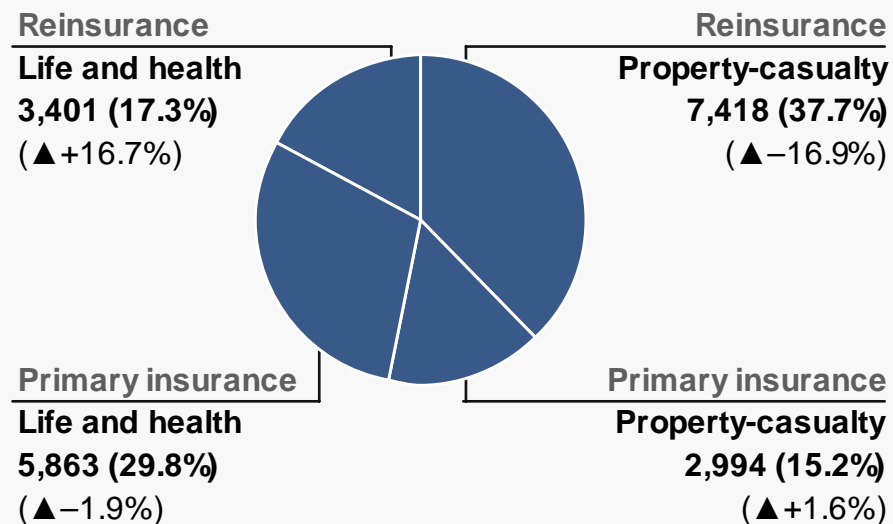
Analysis of premium development

Consolidation on a high level

in €m

Gross premiums written Q1–2 2003	20,760
Foreign-exchange effects	-520 (-2.5%)
Divestments	-147 (-0.7%)
Organic growth	-417 (-2.0%)
Gross premiums written Q1–2 2004	19,676 (-5.2%)

Breakdown by segment



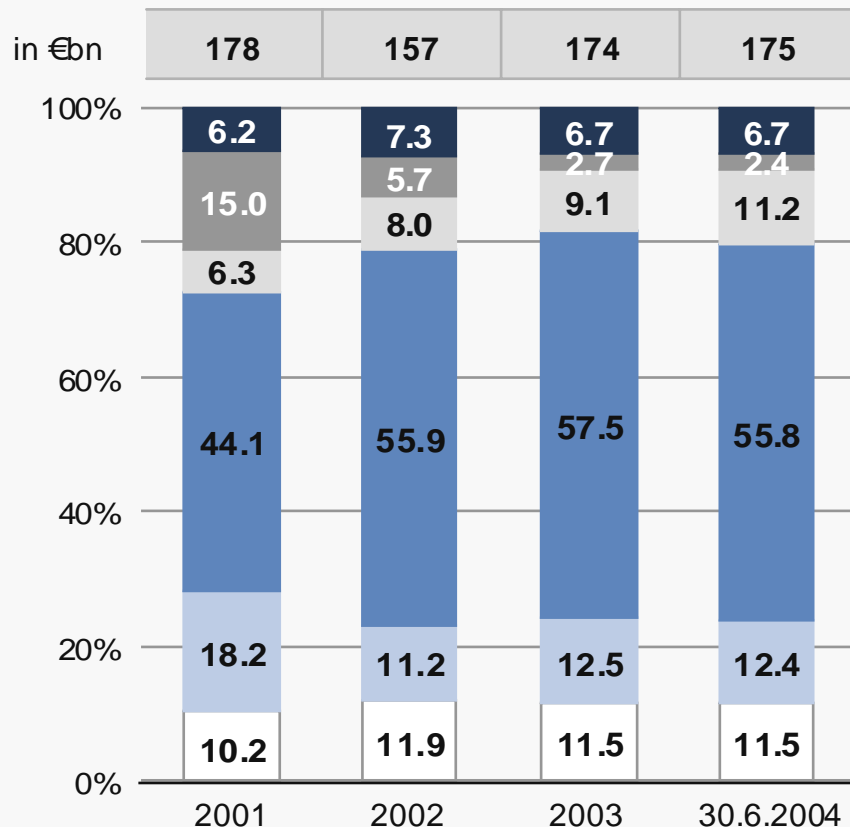


Investments

Equity exposure reduced since 2001

Investment structure by asset class

(market values)



Equity exposure

in %

	30.6.2004	31.12.2003
Before hedges	14.8	15.2
After hedges	14.2	14.5

- Real estate
- Participating interests
- Loans
- Fixed-interest securities
- Shares and equity funds
- Miscellaneous

Shareholders' equity

Benefited from strong half-year result

in €m

18,899	-286	-1,048	138	1,162	139	105	19,109
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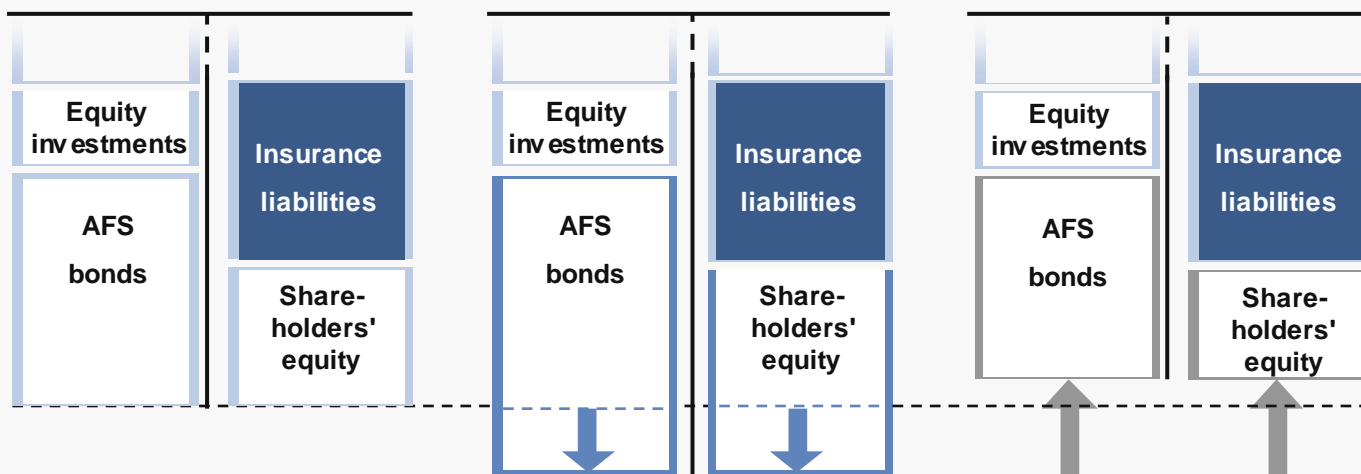
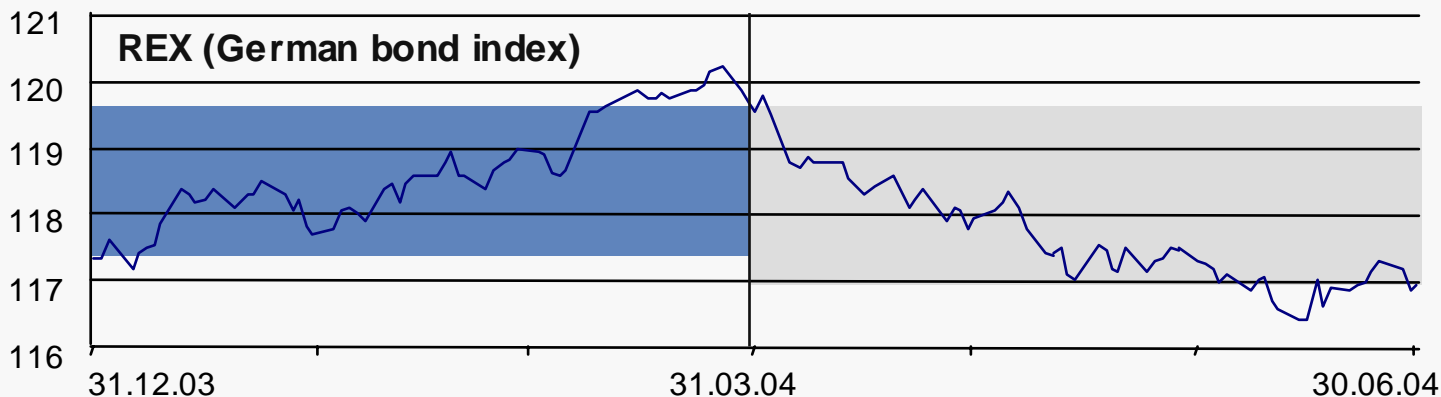
Increased shareholders' equity due to

- strong half-year result
- rise in foreign exchange rates, especially US\$ +3.7% since 31.12.2003

*On other securities

Impact of rising interest rates

Unequally reflected in AFS*-bonds and liabilities



Accounting mismatch is not a real economic risk

Market value decline is immaterial when bonds are held to maturity

Rising interest rates positively affect investment income

*AFS = Available for sale

Segment results

Positive in all segments



in €m	Q1–2 2004	Q1–2 2003
Reinsurance	1,093	317
Primary insurance	71	–834
Asset management	20	26
Consolidation	–22	–38
Profit for the year	1,162	–529

Once again, strong earnings in reinsurance

Primary insurance back to profitability

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Income statement

Excellent half-year result

in €m	Q1–2 2004	Q1–2 2003	▲ in %
Gross premiums written	11,931	12,919	–7.6
Net earned premiums	11,025	11,391	–3.2
Investment result	1,705	1,414	20.6
Total income	12,946	13,004	–0.4
Total expenses	11,356	11,879	–4.4
Result before amortisation of goodwill	1,590	1,125	41.3
Amortisation of goodwill	46	55	–16.4
Operating result before tax	1,544	1,070	44.3
Tax	446	752	–40.7
Minority interests in earnings	5	1	400.0
Group result	1,093	317	244.8

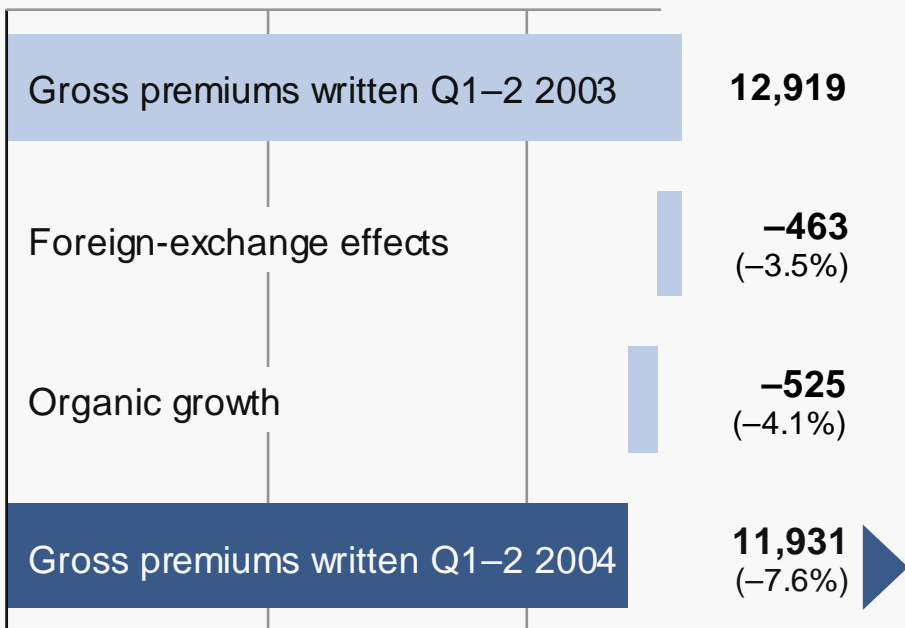
Gross premium
income declined
as expected

Improved investment
result

Analysis of premium development

Consolidation due to currency and underwriting policy

in €m



Breakdown by segment

Life

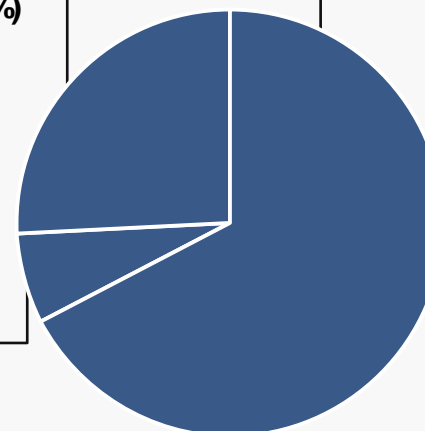
3,094 (25.9%)
(▲+16.9%)

Property-casualty

8,024 (67.3%)
(▲-15.8%)

Health

813 (6.8%)
(▲+9.9%)



Combined ratio non-life

Sixth consecutive quarter below 100%

in %	Q1-2 2004	Q1-2 2003	Q1-2 2002
Loss ratio	67.6	69.7	106.4
Expense ratio	27.9	26.2	26.7
Combined ratio in non-life	95.5	95.9	133.1

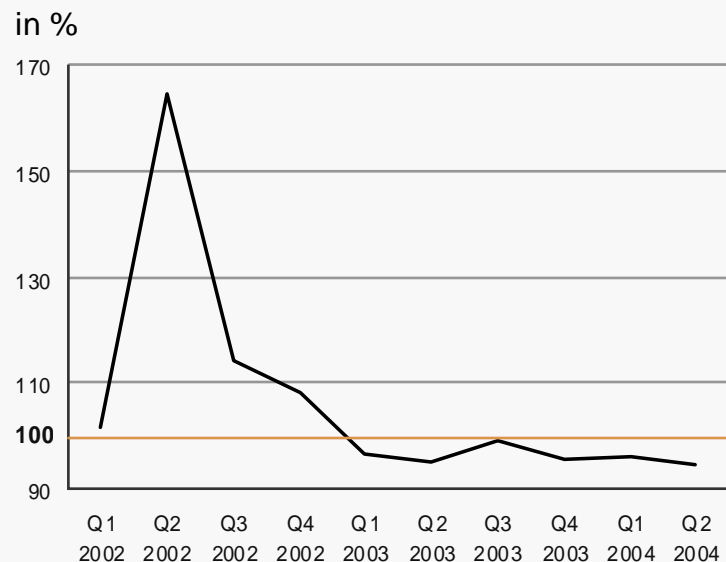
Lower combined ratio due to:

- Improved pricing
- Significantly enhanced conditions
- Moderate level of major claims
- Insignificant NatCat claims

Target 2004: 97%

Combined ratio

Development from Q1 2002 to Q2 2004



in %	2004	2003	2002
Q1	96.3	96.8	101.7
Q2	94.7	94.9	164.5
Q3		99.3	114.1
Q4		95.8	108.4

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Income statement

Returning to profitability



in €m	Q1–2 2004	Q1–2 2003	▲ in %
Gross premiums written	8,870	8,926	–0.6
Net earned premiums	7,136	7,130	0.1
Investment result	2,385	652	265.8
Total income	10,313	8,451	22.0
Total expenses	9,949	8,547	16.4
Result before amortisation of goodwill	364	–96	–
Amortisation of goodwill	75	107	–29.9
Operating result before tax	289	–203	–
Tax	192	661	–71.0
Minority interests in earnings	26	–30	–
Group result	71	–834	–

Stable premium income

Significant improvement in investment result

Additions to provisions for policyholders' bonuses accordingly high

Positive swing of result before amortisation of goodwill by €460m

Positive half-year result



Analysis of premium development

Consolidation following some strong years

in €m

Gross premiums written Q1–2 2003	8,926
Foreign-exchange effects	-7 (-0.1 %)
Divestment	-147 (-1.6 %)
Organic growth	98 (+1.1 %)
Gross premiums written Q1–2 2004	8,870 (-0.6 %)

Breakdown by segment

Life

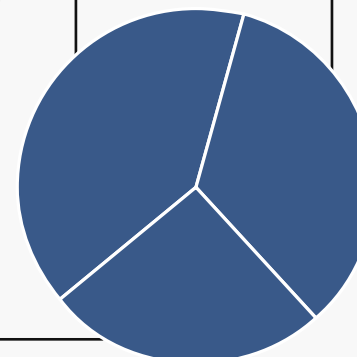
3,605 (40.6%)
(▲-1.5%)

Property-casualty*

3,005 (33.9%)
(▲+2.0%)

Health

2,260 (25.5%)
(▲-2.5%)



*Inclusive legal protection

Combined ratio property-casualty

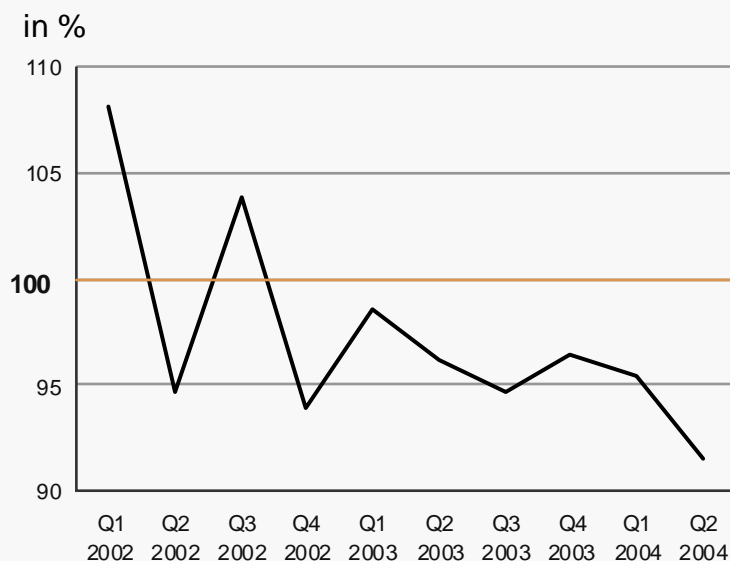
Seventh consecutive quarter below 100%

in %	Q1-2 2004	Q1-2 2003	Q1-2 2002
Loss ratio*	59.2	61.5	63.8
Expense ratio*	34.2	35.8	37.3
Combined ratio in property-casualty*	93.4	97.3	101.1

*Inclusive legal protection

Combined ratio

Development from Q1 2002 to Q2 2004



in %	2004	2003	2002
Q1	95.4	98.5	108.1
Q2	91.5	96.2	94.6
Q3		94.6	103.8
Q4		96.5	93.9

Lower combined ratio due to:

- Improved pricing
- Significantly enhanced conditions
- Excellent portfolio mix
- Insignificant NatCat claims

Target 2004: 97%

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Renewals July 2004

Reinsurance market remains attractive

- Generally stable underwriting conditions
- Overall, risk-adequate prices in the market with major lines showing varying trends
- Market discipline still high, with competition increasing in attractive market segments
- On balance, reinsurance industry capital rising, but not excessive



Strict adherence to pricing guidelines
puts pressure on topline growth



With our goal of "profit before growth" and our clear focus on cycle management, we are well prepared for challenges ahead

Retirement savings law (AltEinkG)

Change in taxation leads to a broader product range

Investment products

Premiums from taxed income,
taxation of capital gains

- Endowment insurance
- Annuity insurance if lump-sum

Funded additional provision

Full downstream taxation

- Riester products
- Corporate pensions schemes

Basic provision

Transition to downstream taxation

- State pensions
- New funded annuity product
(basic pension)

Our primary life insurers are well prepared:

- Annuity products already represent more than 40% of new business and increasing
- Well positioned in the market for company pension business and offering tailor-made concepts
- Our primary insurers will provide the new basic pension product from 1 Jan 2005 and have the distribution power to sell it



Group financial targets 2004

On the path to sustainable profitability

Reinsurance		Primary insurance	
Non-life		Property-casualty*	
Combined ratio	97%	Combined ratio	97%
Life		Life and health	
Embedded value operating earnings	>10%	Embedded value operating earnings	>10%

Asset management	
Group assets	
Return on investment**	4.5%



MR Group:
 Year-end profit target: €2bn***
 Sustainable RoE of 12% as from 2005

*Inclusive legal protection

**IFRS investment result based on average IAS book values

***Barring extraordinary claims

Disclaimer



The information given here, in particular the “Outlook” section, refers to statements relating expressly and implicitly to the future and contains words such as “expect”, “believe”, “assume”, “targets” and other similar expressions. Such forward-looking statements are based on current expectations, estimates, forecasts and prognoses concerning the development of the market as well as management estimates and assumptions. Such forward-looking statements are no guarantee that events or results will actually materialise in the future and are subject to risks, uncertainties, assumptions and other factors that could lead to actual events or results deviating substantially from those anticipated in these forward-looking statements. Other factors include in particular catastrophes that could lead to extraordinary loss burdens as well as considerable price changes on the capital market, namely share price changes which may have an impact on the financial situation of the Munich Re Group.