

2000

Munich Re Group Interim Report



Münchener Rück
Munich Re Group

Supervisory Board

Ulrich Hartmann (Chairman)

Board of Management

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Dr. Claus Helbig (until 30th June 2000)

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Christian Kluge

Dr. Detlef Schneidawind

Dr. Jörg Schneider (from 1st April 2000)

Dr. Hans-Wilmar von Stockhausen

Karl Wittmann

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- **Goals reached in first half-year**
- **Growth higher than expected**
- **Satisfactory result**
- **Expansion of primary insurance business outside Germany**

This is the first half-year report of the Munich Re Group to be prepared on the basis of International Accounting Standards; comparable figures for the first half-year 1999 are not available (except for premiums). As a guide, we have therefore provided the figures for the whole of the business year 1999.

LETTER TO SHAREHOLDERS

Dear Shareholders,

In this interim report we wish to inform you about the pleasing performance of the Munich Re Group in the first six months of the business year 2000. Our outstanding market position, the widespread esteem in which our products and services are clearly held, and the great trust shown by our clients in all our Group's activities, both traditional and new, mean we can look to the future with confidence. Developments in the second half-year to date confirm this view. The price performance of our shares and warrants reflects the steadily increasing interest in Munich Re.

In the period under review premium growth exceeded our expectations in both reinsurance and primary insurance. Gross premiums showed a total rise of 15.0% compared with the first half-year 1999, reaching €15.2bn. We are satisfied with the result.

In reinsurance we succeeded in not only maintaining but also extending our position in many important markets. Prices and conditions in reinsurance are still unsatisfactory; but in a number of markets there are definite signs that the situation is improving. In the course of the year, for example, prices for the coverage of natural catastrophe losses have clearly moved upwards worldwide. However, there will be a certain delay before the improvements achieved have an impact on the reinsurance results.

We recorded appreciable premium growth in reinsurance in the first half-year. In the period under review we were not affected by severe natural catastrophes, and the millennium changeover also passed without significant losses or problems for us. On the other hand, we were still substantially involved in many large losses, especially in fire insurance and in aviation and space business.

Our primary insurers continue to develop well: in Germany they are once more growing faster than the market – and most strongly in health insurance. Expenses for claims and benefits are within the expected range.

We took a significant step forward in our strategy of further increasing the proportion of foreign business in our primary insurance portfolio by acquiring Alte Leipziger Europa in the first half of the year. This has been followed by ERGO's recent acquisition – subject to approval by the competent authorities – of the Italian life insurer Bayerische Vita and the property-casualty insurer Bayerische Assicurazioni from the Bayerische Beamten Versicherungs-Gruppe.

Our investment portfolio and investment profit developed according to plan in the first half of 2000. The start-up phase of our asset management company MEAG is largely concluded. Besides handling the investments of Munich Re and ERGO, MEAG is geared to managing funds for private and institutional clients, a field with strong growth potential; as at 30th June it had a total of more than €130bn under management.

For the business year 2000 as a whole we currently expect premium growth of 9%. We are proceeding on the assumption that we will meet our target of improving the Group result by 10% (not including the effects of the tax reform).

Yours sincerely,



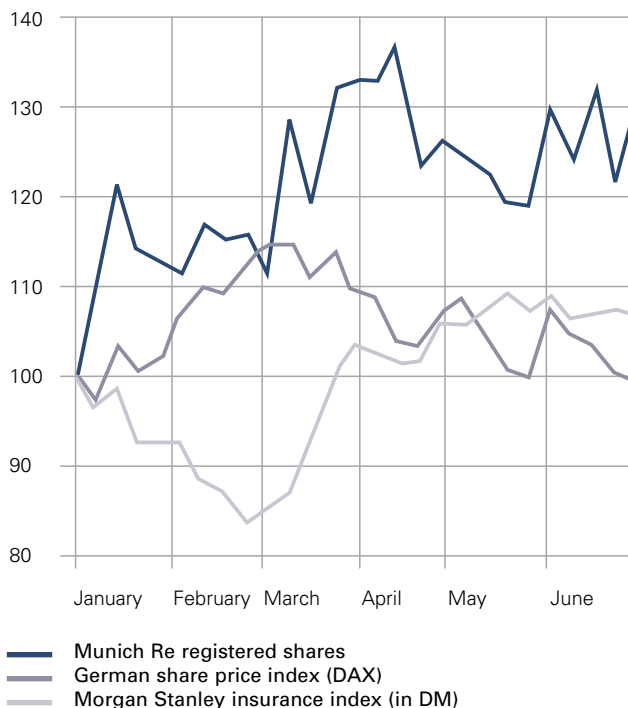
Munich Re and its shares

- Big increases in our share price in the first half-year
- Exchangeable bond successfully placed
- AGM resolution permits share buy-backs

Munich Re shares represent an attractive investment with an above-average return for the long-term investor: in the ten-year period from 1990 to 1999 our share price rose by 19.5% on average each year, the DAX only by 16.8%. We have also steadily raised the dividend in recent years and last year even doubled the amount distributed.

In the first half-year 2000 the value of Munich Re shares grew by 32.0%, the share price climbing from €251.80 at 1st January 2000 to €332.50 by the end of June. By contrast, the DAX fell by around 1% in the first six months of this year.

Share price performance
1st January 2000 = 100



The price of Munich Re warrants 98/02 rose in the first half-year 2000 from €52.80 to €87.50.

As a result of the positive share price performance, Munich Re's market capitalization increased from €44.5bn to €58.8bn.

At the beginning of July 2000 the announcement of a new weighting of various share price indices (based on the market capitalization of the free float) briefly led to a fall in the price of our shares. But this negative effect was more than compensated for by the ratification of the German tax reform by the Bundesrat, the upper house of the German parliament. On 12th September Munich Re's share price stood at €317.50

The tax reform should have a positive impact on the whole German stock market. Munich Re has assumed a prominent role with the early steps it has taken. Thus, as announced in a joint letter of intent, Munich Re and Allianz will be gradually reducing their traditional reciprocal shareholdings of 25% to around 20% by the end of 2003. The resultant increase in our free float will not only enhance the attractiveness of our shares for international investors but will also have a favourable impact on our positioning in the European share price indices.

On 8th May 2000, as a first step towards the – tax-free – reduction of our stake in Allianz, we issued a bond exchangeable into Allianz shares. This is a particularly suitable capital market instrument for reducing our shareholding, serving both to optimize our capital structure and to cut our capital costs. The capital market responded extremely well to the exchangeable bond, which was several times oversubscribed. We will be investing the resulting inflow of funds in the further expansion of our business.

The Annual General Meeting on 19th July 2000 authorized Munich Re's Board of Management to buy back shares up to an amount of 10% of the share capital. There are no concrete plans to make use of this authorization at present, but we want to keep all options open in the interest of our shareholders. It could be used in acquisitions, for example, or as an alternative to taxable dividends.

Some 70% of share capital was represented at our AGM. This puts us well above the average for major DAX stocks, which was around 55% this year. We are delighted at this degree of interest from our shareholders.

Munich Re attaches particularly great importance to the subject of investor relations. We have always considered dialogue with analysts and investors to be an essential instrument in enhancing the attractiveness of our shares.

We have substantially expanded our website, adding a great deal of information, a chart service and a mailing list. Our shareholders rate our Internet presence as exemplary. This spurs us on to undertake further improvements.

Munich Re's first analysts' conference on 30th May 2000 had an attendance of more than 100; others took part by phone. We intend to intensify our dialogue with analysts and investors even further, and next year we will also be holding a conference in London directly after the analysts' conference in Munich.

Overall economic development

- **Dynamic growth**
- **Further rise in the US dollar in the first half-year**
- **Positive development of the insurance industry**

The upswing in the world economy again accelerated in the first half of 2000, with the USA continuing to be the engine. In the first two quarters US growth totalled 4.8% and 5.2% (in real terms, seasonally adjusted and annualized), once more exceeding expectations. The US Federal Reserve endeavoured to prevent the economy from overheating by raising interest rates on a total of three occasions. Private consumption and the leading indicators, at least, point to a cooling of the economy in the second half of the year.

In the states participating in European monetary union (Euroland) growth has also accelerated this year, but it has lacked the vigour shown by the US economy. Pursuing a course of successive increases in interest rates since November 1999, the European Central Bank has attempted to prevent demand overshooting supply. This is being supported by measures of economic policy, such as the tax reform in Germany, which improve conditions on the supply side. For the second half-year we therefore expect the momentum of growth in Germany and Euroland to be consistently high.

The performance of the euro against the US dollar in the first half-year mirrored the continued weaker economic growth in Euroland compared with the USA: in May, with the exchange rate falling below US\$ 0.89, the euro reached the lowest level since its launch.

In Japan, the economy is gradually re-establishing itself, although at a distinctly lower level. The situation in Asia's emerging markets is much more positive: the growth forecasts for nearly all the ASEAN states have again been revised slightly upwards. The same applies to China. Eastern

Europe is largely following the positive economic trend in Euroland, and the economies of Latin America are showing renewed strength, albeit to differing degrees.

For the year 2000 overall, therefore, growth in the world economy should show a further increase on 1999 and thus clearly exceed the average of the last 30 years.

A potential risk factor continues to be global inflation. The surge in the price of oil is currently proving to be the greatest driver of inflation. It remains to be seen how far the oil-exporting countries adjust supply to the growing demand.

For the insurance industry, the generally favourable development of the world economy continues to fuel demand. In line with the improved overall economic prospects, we expect premium growth in the German market to be somewhat stronger than anticipated at the beginning of the year. The global debate on the future of state provision for old age favours the growth of private life insurance. In the emerging markets, the trend towards liberalization is continuing; this will promote the development of the insurance markets and can be expected to provide an additional impetus for our business. In reinsurance business the signs of a rise in prices worldwide are mounting.

Business experience in the first half-year 2000

The Munich Re Group companies operate successfully in three fields of business: reinsurance, primary insurance and asset management.

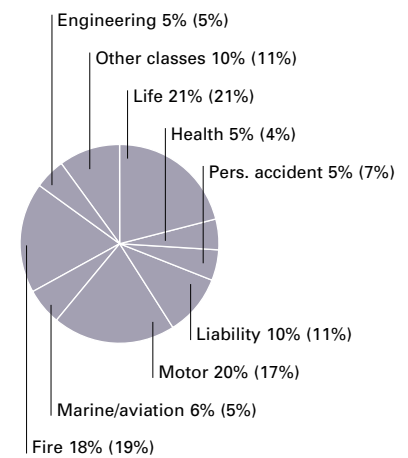
Reinsurance

- Reinsurance group continues on growth course
- Reinsurance results in the first half-year still not satisfactory
- Turnaround in sight
- Prices for natural catastrophe covers moving upwards

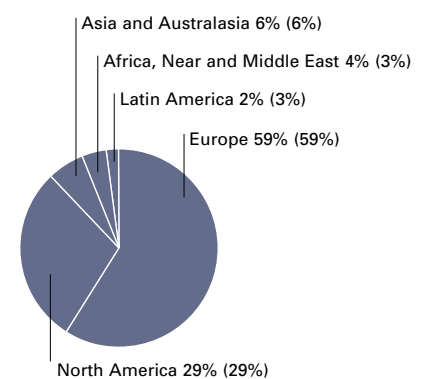
Our reinsurance business grew markedly in the first half-year 2000; premium was up 18.0% on the first half-year 1999 to €8.7bn. Premium income rose both in life and health reinsurance and in property-casualty business – here especially in motor reinsurance. This growth came particularly from non-German business and is partly attributable to changes in exchange rates.

Reinsurance		30.6.2000	1999
Gross premiums	€bn	8.7	15.4
Loss ratio non-life	%	79.7	88.2
Expense ratio non-life	%	30.8	30.7
Result before amortization of goodwill	€m	895	1,208
Investments	€bn	62.5	59.6
Net underwriting provisions	€bn	42.6	40.4

Gross premiums by class of business



Gross premiums by region



The combined ratio amounted to 110.5%; excluding natural catastrophe losses it totalled 108.1%. In 1999 the respective figures were 118.9% and 108.2%.

The severe windstorms in Europe in the last few days of December were too late to have an effect on the treaty renewals at the turn of the year, but prices for the reinsurance of natural catastrophe risks are now moving upwards. The renewals of reinsurance treaties in Japan at 1st April and in the USA and other markets at 1st July show that substantial improvements are possible. They are also urgently necessary.

The market situation in non-life business in the USA continued to be unsatisfactory in the first half of the year. This is also reflected in the results of US reinsurers. Our subsidiary American Re recorded a loss of US\$ 36.7m. In the meantime the situation in the primary insurance market and the prices for reinsurance cover are beginning to improve; there will be a certain time lag before the positive impact of this is felt in reinsurers' results, however. For American Re we expect a break-even result for the business year 2000 as a whole, based on the remedial measures taken.

With retroactive effect from 1st January 2000 the Munich Reinsurance Company acquired a good 90% of the portfolio of Alte Leipziger Rückversicherung AG. In 1999 Alte Leipziger Re wrote premium income of €130m gross and €40m net from reinsurance in nearly all lines of business.

Our reinsurers' result for the first half-year before amortization of goodwill totalled €895m; this includes €122m from gains on the disposal of investments.

Overall, we expect our reinsurance business to show premium growth of over 10% for the whole year 2000. The result will largely depend on what claims costs we incur from natural catastrophes and other major losses up to 31st December 2000; if business experience is normal, we should be able to considerably improve on last year's result.

Primary insurance

- **Steady growth**
- **Continued good results**
- **Promising cooperation with Deutsche Telekom in e-commerce**
- **Acquisition of Alte Leipziger Europa, Bayerische Vita and Bayerische Assicurazioni**

The premium income and results of our primary insurers again developed well.

In the first six months of the business year 2000 our primary insurers wrote premiums of €7.2bn; in the first half-year 1999 the figure was €6.7bn.

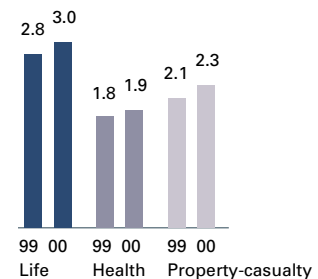
In health insurance we achieved very satisfactory growth of 6.8%, although new business in Germany suffered from the premium loading of 10% on new comprehensive insurances which has had to be charged by law since January. In the long term, however, this loading will mean smaller premium adjustments for older policyholders; it will therefore have a positive effect on the development of private health insurance.

Growth in life insurance was also good. Our life insurers increased their premium income by 6.1%, despite the uncertainty among clients resulting from the continuing debate on pension reform and whether private provision for old age should be voluntary or compulsory.

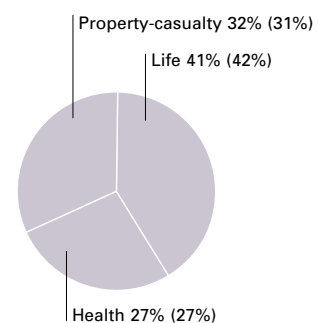
In the first half-year 2000 our premium income in property-casualty insurance was up by more than 10%; 5 percentage points of this increase derived from Alte Leipziger Europa. In property-casualty insurance our Group is continuing to grow faster than the market in Germany. For the first time in several years, motor insurance contributed to the increase in premium.

Primary insurance		30.6.2000	1999
Gross premiums	€bn	7.2	13.5
Result before amortization of goodwill	€m	454	948
Investments	€bn	100.0	97.5
Net underwriting provisions	€bn	84.8	82.9

Gross premiums by class of insurance in the first half-year in €bn



Gross premiums



Life and health insurance contributed €250m to the result of €454m before amortization of goodwill in the first half-year, and property-casualty insurance €204m. The result includes €861m from gains on the disposal of investments; the life and health insurers in particular took advantage of the favourable stock market situation to realize capital gains.

With retroactive effect from 1st January 2000 the Munich Reinsurance Company acquired the majority of shares in Alte Leipziger Europa, Bad Homburg. This is a holding company, which mainly has majority stakes in Central and Eastern European insurers. In total, it has 14 participations in 8 countries, including a majority stake in Hestia, which is number three in Poland. In 1999 Alte Leipziger Europa wrote premium income of over €200m, representing growth of around 35% on the previous year.

With retroactive effect from 1st July ERGO acquired 60.13% of Alte Leipziger from the Munich Reinsurance Company. This is a further step towards realizing our objective of increasing the proportion of foreign business written by ERGO, which is already represented by foreign subsidiaries in 18 European countries. Especially DKV and D.A.S., as market leaders in Europe, have core competencies that can be utilized in foreign markets.

In August ERGO expanded its operations in Italy, which had previously been restricted to legal protection insurance: for a price of €644m it acquired a 70% stake in the strongly growing Italian life insurer Bayerische Vita S.p.A., Milan, from the Bayerische Beamten Versicherungs-Gruppe (BBV), Munich. In accordance with Italian takeover rules, outside shareholders will be offered an expected €9.67 per share. In 1999 Bayerische Vita wrote premiums of €501m, or 38% more than in the previous year; in the first half-year 2000 its premium income increased by over 20%.

Besides this, ERGO has acquired the property-casualty insurer Bayerische Assicurazioni S.p.A., which recorded premium income of €166m in 1999, as well as participating interests in marketing and financial services companies in Italy, Spain, France and Poland.

As a result of these acquisitions ERGO's premium income from outside Germany will almost double to over €2bn.

In view of the great significance of e-commerce in the primary insurance sector in particular, ERGO has joined forces with T-Online to set up an open Internet marketplace with an integrated offering of insurance, financial services and telecommunications products.

In addition, priority is also being given to the systematic utilization of cost, earnings and growth synergies within ERGO. Central elements of this so far have been the formation of MEAG and ITERGO, the pooling of claims management resources, and the joint use of decentralized administration facilities, areas where synergies will continue to be sought in future.

Our subsidiaries in the Karlsruher Group and Europäische Reiseversicherung are also developing as planned. Mercur Assistance, in which we will acquire a majority stake in the second half of the year, will augment the Munich Re Group's range of services in an increasingly important sector.

For the year 2000 as a whole we expect growth of around 5.5% in premium income and another marked improvement in the result.

Asset management

- Varied development on the capital markets
- Further marked increase in investments
- Excellent investment result

The phase of rising interest rates, which the US Federal Reserve initiated over a year ago, is having its first visible effects on the commodity and the financial markets. In conjunction with trends like growing productivity and price transparency, which are having a curbing effect on the world-wide price level, this should help allay fears regarding inflation. We expect the Western bond markets in particular to profit from this development.

The phase which began in autumn 1999, in which shares from the new economy significantly outperformed those from the old, reached its climax towards the end of the first quarter of 2000. At this juncture our fund managers, like many others, realized capital gains. The comparatively favourably priced shares from the old economy benefited from the portfolio switches that took place, with the focus of investors' interest shifting to stocks with clear and lasting prospects of good earnings. In our view, European shares offer greater potential here; in Germany especially, the forthcoming tax reform should have a positive effect on the stock market.

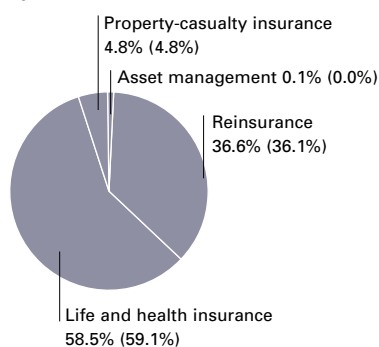
The Group's investments grew further in the first half-year 2000, totalling €156bn as at 30th June 2000.

The investment profit amounted to €5.0bn. We took advantage of the volatility on the stock markets to take profits and establish new positions. Realized capital gains reached €1.0bn.

On the currency markets, varying national growth rates and persistent structural questions further weakened investors' confidence in the euro; the US dollar gained even more in strength in the first half-year 2000.

For the business year 2000 as a whole we again expect a very good investment result.

The Munich Re Group's investments by field of business



It was with the sustainable long-term optimization of our investment earnings in mind that we established MEAG MUNICH ERGO AssetManagement GmbH in 1999. MEAG and its subsidiaries not only manage the assets of the Munich Re and ERGO but also operate in the promising area of fund business for private and institutional investors. MEAG Real Estate Management and MEAG Securities Management commenced operations on 1st January and 1st April 2000, respectively. Altogether, the assets under management as at 30th June 2000 totalled more than €130bn.

MEAG products for private clients are primarily sold via the ERGO sales force. All the company's funds are bettering the indices of the respective investment sectors in their medium to long-term performances.

Prospects

- **Growth higher than last year**
- **Losses from natural catastrophes lower so far than last year**
- **Further improvement in the investment result**
- **Exceptional income due to the tax reform**

We currently expect premium income for the business year 2000 to total around €30bn, or 9% more than last year. This will be helped by more favourable exchange rates, the appreciable upward trend in reinsurance prices since April, and the recent acquisitions. Around 1.5% of premium growth will be attributable to the newly acquired subsidiaries.

Claims costs in reinsurance have a major influence on the result. We expect a marked reduction in the claims burdens from natural catastrophes, but the adjusted loss ratio (i.e. excluding natural catastrophe losses) continues to be high. The improvement in prices and conditions will not be fully felt until the next business year.

In the second half-year we have for the most part been spared large and very large losses so far. According to present estimates, no significant claims costs will result for the Munich Re Group from the Concorde crash in Paris on 25th July; the same applies to losses in connection with the Airbus A 320 which crashed when landing in Manama (Bahrain) on 23rd August. The forest fires that have been raging for weeks and causing great damage, particularly in the western states of the USA, will probably only affect us to a slight extent.

Altogether, however, the result for 2000 will mainly depend on our claims costs from natural catastrophes and other major losses between now and the end of the year.

In our primary insurance business, expenses for claims and benefits in life and health insurance will increase further, but the rise in health insurance will be lower than the growth in premium income. In property-casualty insurance we expect the loss ratio to fall.

Our investment result will improve further; we currently estimate year-on-year growth of around €900m.

We continue to assume that our result before amortization of goodwill will improve appreciably and resume the positive trend set by the good business year 1998.

Amortization of goodwill will show an increase, owing to the acquisitions of Alte Leipziger Europa, Bayerische Vita and Bayerische Assicurazioni.

The reduction of the corporation tax rate in Germany from 40% to 25% as at 1st January 2001, ratified in July, will be reflected in one-off income of around €300m, owing to the revaluation of deferred tax liabilities.

As things stand at present, earnings per share for 2000 should rise to over €7; this does not take into account the effects of the reduction in the corporation tax rate. However, this forecast presupposes two factors: that no exceptional loss events occur before the end of the business year and that we are not hit by big price losses on the capital markets.

Given these prerequisites, we expect to be able to pay our shareholders a dividend for the business year 2000 of at least the same level as last year (€0.95 per share).

Munich, 21st September 2000

The Board of Management

Schneiders. James G. Kelly 630013

Mehnerl Weyd I. Ullrich Hirschmann

Schneider im Stockhausen J. H. H. H.

Consolidated balance sheet as at 30th June 2000

ASSETS	€m	€m	€m	31.12.1999 €m
A. Intangible assets				
I. Goodwill		2,298		2,142
II. Other intangible assets		299		269
			2,597	2,411
B. Investments				
I. Real estate		6,987		6,901
II. Investments in affiliated enterprises and associated enterprises		11,798		10,633
III. Loans		8,550		8,670
IV. Other securities				
1. Held to maturity	1,546			1,430
2. Available for sale	111,640			109,714
3. Held for trading	179			191
		113,365		111,335
V. Other investments				
1. Deposits retained on assumed reinsurance	12,365			11,698
2. Miscellaneous	2,647			1,273
		15,012		12,971
			155,712	150,510
C. Investments for the benefit of life insurance policyholders who bear the investment risk			417	417
D. Ceded share of underwriting provisions			10,435	9,402
E. Receivables			8,821	8,056
F. Cash with banks, cheques and cash in hand			619	487
G. Deferred acquisition costs			6,448	5,989
H. Deferred tax			2,297	1,933
I. Other assets			788	675
Total assets			188,134	179,880

EQUITY AND LIABILITIES	€m	€m	31.12.1999 €m
A. Shareholders' equity			
I. Issued capital and capital reserve	3,161		3,161
II. Revenue reserves	8,328		6,862
III. Other reserves	7,672		7,298
IV. Consolidated profit	652		1,133
		19,813	18,454
B. Minority interests		2,159	2,125
C. Gross underwriting provisions			
I. Unearned premiums	5,614		4,803
II. Provision for future policy benefits	80,257		77,217
III. Provision for outstanding claims	30,311		28,767
IV. Other underwriting provisions	21,369		21,692
		137,551	132,479
D. Gross underwriting provisions for life insurance policies where the investment risk is borne by the policyholders		447	396
E. Other accrued liabilities		3,360	2,927
F. Liabilities			
I. Notes and debentures	1,747		734
II. Other liabilities	14,114		14,325
		15,861	15,059
G. Deferred tax liabilities		8,755	8,391
H. Other deferred items		188	49
Total equity and liabilities		188,134	179,880

Consolidated income statement for the period from 1st January to 30th June 2000

ITEMS	€m	1.1–31.12.1999 €m
1. Gross premiums written	15,215	27,413
2. Net earned premiums	13,605	24,945
3. Investment result	5,038	9,525
4. Other income	510	747
Total income (2–4)	19,153	35,217
5. Net expenses for claims and benefits	13,353	25,241
6. Net operating expenses	3,591	6,500
7. Other expenses	872	1,655
Total expenses (5–7)	17,816	33,396
8. Result before amortization of goodwill	1,337	1,821
9. Amortization of goodwill	68	120
10. Operating result before tax	1,269	1,701
11. Tax	534	383
12. Minority interests in earnings	83	185
13. Net profit	652	1,133
	€	1.1–31.12.1999 €
Earnings per share	3.69	6.45
Earnings per share, diluted	3.67	6.44

Consolidated cash flow statement for the period from 1st January to 30th June 2000

	€m	1.1–31.12.1999 €m
I. Cash flows from operating activities		
Net profit	652	1,133
Minority interests in earnings	83	185
Net change in underwriting provisions	3,588	11,357
Change in deferred acquisition costs	-440	-309
Change in receivables and liabilities	-1,593	-499
Change in securities held for trading	1	-14
Change in deferred tax assets/liabilities	-285	-297
Change in other balance sheet items	264	696
Adjustment for investment income/expenses without impact on cash flow	27	100
Gains and losses on the disposal of investments	-938	-1,419
Amortization of goodwill	68	120
Miscellaneous	-278	-707
	1,149	10,346
II. Cash flows from investing activities		
Acquisition of real estate	-85	-667
Sale of real estate	13	294
Acquisition of investments in affiliated enterprises and associated enterprises	-252	-205
Sale of investments in affiliated enterprises and associated enterprises	54	11
Issue of loans	-1,372	-932
Maturities of loans	451	482
Acquisition of investments held to maturity	-79	-45
Maturities of investments held to maturity	318	222
Acquisition of securities available for sale	-7,425	-25,347
Sale of securities available for sale	6,156	16,192
Acquisition of consolidated affiliated enterprises	-16	-42
Sale of consolidated affiliated enterprises	0	0
Miscellaneous	-43	-887
	-2,280	-10,924
III. Cash flows from financing activities		
Inflows from capital measures	7	381
Change in notes and debentures and amounts owed to banks	1,284	210
Dividends paid	-28	-111
	1,263	480

CONSOLIDATED CASH FLOW STATEMENT

	€m	1.1–31.12.1999 €m
Cash flows for the reporting period (I + II + III)	132	–98
Effect of exchange rate changes on cash	0	4
Cash at the beginning of the business year	487	581
Cash at the end of the reporting period	619	487
Additional information		
Tax on earnings (net)	204	546
Interest paid	81	96

Segment reporting

ASSETS	Reinsurance			
	Life and health		Property-casualty	
	30.6.2000 €m	31.12.1999 €m	30.6.2000 €m	31.12.1999 €m
A. Intangible assets	28	28	2,210	2,167
B. Investments				
I. Real estate	813	809	1,205	1,192
II. Investments in affiliated enterprises and associated enterprises	4,462	4,074	5,682	5,194
III. Loans	61	61	62	41
IV. Other securities				
1. Held to maturity	0	0	0	0
2. Available for sale	10,582	10,412	22,023	21,508
3. Held for trading	30	34	109	117
	10,612	10,446	22,132	21,625
V. Other investments	7,135	6,651	10,333	9,467
	23,083	22,041	39,414	37,519
C. Investments for the benefit of life insurance policyholders who bear the investment risk	0	0	-	-
D. Ceded share of underwriting provisions	3,313	3,123	4,339	4,094
E. Other segment assets	2,262	1,877	8,231	7,209
Total segment assets	28,686	27,069	54,194	50,989

Primary insurance				Asset management		Consolidation		Total	
Life and health		Property-casualty							
30.6.2000 €m	31.12.1999 €m	30.6.2000 €m	31.12.1999 €m	30.6.2000 €m	31.12.1999 €m	30.6.2000 €m	31.12.1999 €m	30.6.2000 €m	31.12.1999 €m
173	145	64	54	5	3	117	14	2,597	2,411
4,238	4,184	691	675	0	0	40	41	6,987	6,901
2,278	2,051	1,610	1,341	74	69	-2,308	-2,096	11,798	10,633
8,461	8,588	84	98	0	0	-118	-118	8,550	8,670
1,446	1,379	100	51	0	0	0	0	1,546	1,430
72,935	71,565	6,095	6,222	5	7	0	0	111,640	109,714
17	26	23	14	0	0	0	0	179	191
74,398	72,970	6,218	6,287	5	7	0	0	113,365	111,335
1,362	745	254	179	2	0	-4,074	-4,071	15,012	12,971
90,737	88,538	8,857	8,580	81	76	-6,460	-6,244	155,712	150,510
417	417	-	-	-	-	0	0	417	417
6,244	5,954	1,380	1,071	-	-	-4,841	-4,840	10,435	9,402
6,959	7,087	1,935	1,580	109	39	-523	-652	18,973	17,140
104,530	102,141	12,236	11,285	195	118	-11,707	-11,722	188,134	179,880

Segment reporting

EQUITY AND LIABILITIES	Reinsurance			
	Life and health		Property-casualty	
	30.6.2000 €m	31.12.1999 €m	30.6.2000 €m	31.12.1999 €m
A. Gross underwriting provisions				
I. Unearned premiums	182	163	3,870	3,422
II. Provision for future policy benefits	17,123	16,484	676	653
III. Provision for outstanding claims	834	793	26,075	24,784
IV. Other underwriting provisions	34	30	1,436	1,256
	18,173	17,470	32,057	30,115
B. Gross underwriting provisions for life insurance policies where the investment risk is borne by the policyholders	0	0	–	–
C. Other accrued liabilities	420	339	1,216	1,057
D. Other segment liabilities	3,724	3,172	9,755	9,640
Total segment liabilities	22,317	20,981	43,028	40,812

		Primary insurance		Asset management		Consolidation		Total		
Life and health		Property-casualty								
30.6.2000 €m	31.12.1999 €m	30.6.2000 €m	31.12.1999 €m	30.6.2000 €m	31.12.1999 €m	30.6.2000 €m	31.12.1999 €m	30.6.2000 €m	31.12.1999 €m	
631	715	1,099	670	–	–	–168	–167	5,614	4,803	
66,373	64,005	27	17	–	–	–3,942	–3,942	80,257	77,217	
845	829	3,267	3,072	–	–	–710	–711	30,311	28,767	
19,607	20,082	105	119	–	–	187	205	21,369	21,692	
87,456	85,631	4,498	3,878	–	–	–4,633	–4,615	137,551	132,479	
447	396	–	–	–	–	0	0	447	396	
652	638	1,059	903	13	11	0	–21	3,360	2,927	
13,474	12,931	2,445	2,388	125	69	–4,719	–4,701	24,804	23,499	
102,029	99,596	8,002	7,169	138	80	–9,352	–9,337	166,162	159,301	
								Shareholders' equity*	21,972	20,579
								Total equity and liabilities	188,134	179,880

* Group shareholders' equity and minority interests.

Segment reporting

INCOME STATEMENT	Reinsurance			
	Life and health		Property-casualty	
	1.1– 30.6.2000 €m	1.1– 31.12.1999 €m	1.1– 30.6.2000 €m	1.1– 31.12.1999 €m
1. Gross premiums written	2,255	3,742	6,446	11,626
Thereof:				
– From insurance transactions with other segments	369	735	359	713
– From insurance transactions with external third parties	1,886	3,007	6,087	10,913
2. Net earned premiums	1,938	3,151	5,721	10,336
3. Investment result	815	1,523	1,301	2,428
4. Other income	21	143	49	336
Total income (2–4)	2,774	4,817	7,071	13,100
5. Net expenses for claims and benefits	1,735	3,009	4,574	8,964
6. Net operating expenses	651	1,003	1,767	3,151
7. Other expenses	18	136	205	446
Total expenses (5–7)	2,404	4,148	6,546	12,561
8. Result before amortization of goodwill	370	669	525	539
9. Amortization of goodwill	1	2	65	113
10. Operating result before tax	369	667	460	426
11. Tax	103	24	195	–31
12. Minority interests in earnings	1	1	3	6
13. Net profit	265	642	262	451

Primary insurance				Asset management		Consolidation		Total	
Life and health		Property-casualty							
1.1- 30.6.2000 €m	1.1- 31.12.1999 €m	1.1- 30.6.2000 €m	1.1- 31.12.1999 €m	1.1- 30.6.2000 €m	1.1- 31.12.1999 €m	1.1- 30.6.2000 €m	1.1- 31.12.1999 €m	1.1- 30.6.2000 €m	1.1- 31.12.1999 €m
4,913	9,809	2,331	3,690	-	-	-730	-1,454	15,215	27,413
0	0	2	6	-	-	-730	-1,454	0	0
4,913	9,809	2,329	3,684	-	-	0	0	15,215	27,413
4,513	8,724	1,433	2,734	-	-	0	0	13,605	24,945
2,855	5,435	199	524	5	2	-137	-387	5,038	9,525
316	528	261	124	56	18	-193	-402	510	747
7,684	14,687	1,893	3,382	61	20	-330	-789	19,153	35,217
6,176	11,598	869	1,670	0	0	-1	0	13,353	25,241
624	1,362	534	951	0	0	15	33	3,591	6,500
634	1,295	286	245	59	28	-330	-495	872	1,655
7,434	14,255	1,689	2,866	59	28	-316	-462	17,816	33,396
250	432	204	516	2	-8	-14	-327	1,337	1,821
2	5	0	0	0	0	0	0	68	120
248	427	204	516	2	-8	-14	-327	1,269	1,701
135	190	108	197	-7	4	0	-1	534	383
43	90	40	119	1	0	-5	-31	83	185
70	147	56	200	8	-12	-9	-295	652	1,133

Segment reporting

INVESTMENTS	Reinsurers		Primary insurers		Asset management		Total	
	30.6.2000 €m	31.12.1999 €m	30.6.2000 €m	31.12.1999 €m	30.6.2000 €m	31.12.1999 €m	30.6.2000 €m	31.12.1999 €m
Europe	42,854	40,664	97,707	95,344	81	76	140,642	136,084
North America	12,862	12,219	767	719	0	0	13,629	12,938
Asia and Australasia	945	1,025	332	307	0	0	1,277	1,332
Africa, Near and Middle East	438	437	6	8	0	0	444	445
Latin America	91	77	46	51	0	0	137	128
Total	57,190	54,422	98,858	96,505	81	76	156,129	150,927

GROSS PREMIUMS WRITTEN*	Reinsurers		Primary insurers		Total	
	1.1– 30.6.2000 €m	1.1– 31.12.1999 €m	1.1– 30.6.2000 €m	1.1– 31.12.1999 €m	1.1– 30.6.2000 €m	1.1– 31.12.1999 €m
Europe	4,421	7,621	7,126	13,395	11,547	21,016
North America	2,503	4,441	90	72	2,593	4,513
Asia and Australasia	514	972	20	16	534	988
Africa, Near and Middle East	325	505	5	9	330	514
Latin America	210	381	1	1	211	382
Total	7,973	13,920	7,242	13,493	15,215	27,413

* After elimination of intra-Group reinsurance across segments.

Notes

Accounting and valuation policies

Munich Re's half-year report has been prepared for the first time in accordance with the standards of the International Accounting Standards Committee (IASC). The same accounting, valuation and consolidation principles have been applied as in our consolidated financial statements as at 31st December 1999.

Changes in the consolidated group

With retroactive effect from 1st January 2000 Munich Re acquired a stake of 60.13% in Alte Leipziger Europa. Apart from this, there were no significant changes in the group of consolidated companies.

Foreign currency translation

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

	Balance sheet		Income statement	
	30.6.2000	31.12.1999	1.1– 30.6.2000	1.1– 31.12.1999
Australian dollar	1.59660	1.53180	1.57357	1.65255
Canadian dollar	1.42030	1.45470	1.40819	1.58445
Pound sterling	0.63320	0.62200	0.61207	0.65887
Rand	6.49900	6.17200	6.31460	6.51730
Swiss franc	1.55870	1.60450	1.58546	1.60042
US dollar	0.95860	1.00240	0.96028	1.06603
Yen	101.419	102.596	102.542	121.307

Changes in shareholders' equity

All figures in €m	Issued capital	Capital reserve	Revenue reserves	Other reserves	Consolidated profit	Total shareholders' equity
Status 31.12.1998	445	2,336	5,246	6,937	1,200	16,164
Changes in exchange rates	-	-	470	26	9	505
Capital increases	8	372	-	-	-	380
Allocation to revenue reserves	-	-	1,128	-	-1,128	0
Changes in the consolidated group	-	-	22	-378	0	-356
Unrealized gains and losses resulting from valuation at equity	-	-	-	419	-	419
Unrealized gains and losses on other investments	-	-	-	300	-	300
Net profit	-	-	-	-	1,133	1,133
Dividends	-	-	0	-	-81	-81
Other changes	-	-	-4	-6	0	-10
Status 31.12.1999	453	2,708	6,862	7,298	1,133	18,454
Changes in exchange rates	-	-	341	29	-19	351
Capital increases	0	0	-	-	-	0
Allocation to revenue reserves	-	-	1,114	-	-1,114	0
Changes in the consolidated group	-	-	0	0	0	0
Unrealized gains and losses resulting from valuation at equity	-	-	-	393	-	393
Unrealized gains and losses on other investments	-	-	-	-58	-	-58
Net profit	-	-	-	-	652	652
Dividends	-	-	0	-	0	0
Other changes	-	-	11	10	0	21
Status 30.6.2000	453	2,708	8,328	7,672	652	19,813

Minority interests

These are mainly minority interests in the ERGO Insurance Group.

All figures in €m	30.6.2000	31.12.1999
Consolidated profit	83	185
Other equity components	2,076	1,940
Total	2,159	2,125

Notes and debentures

All figures in €m	30.6.2000	31.12.1999
Munich Reinsurance Company, Munich 1.0%, € 1,150m Exchangeable Bonds 2000/2005	979	-
American Re Corporation, Princeton 7.45%, US\$ 500m Senior Notes 1996/2026	520	497
American Re Capital, Delaware 8.5%, US\$ 237.5m QUIPS 1995/2025	248	237
Total	1,747	734

Investment result

	Reinsurance				Primary insurance				Asset management		Total	
	Life and health		Property-casualty		Life and health		Property-casualty		1.1– 30.6. 2000	1.1– 31.12. 1999	1.1– 30.6. 2000	1.1– 31.12. 1999
	1.1– 30.6. 2000	1.1– 31.12. 1999	1.1– 30.6. 2000	1.1– 31.12. 1999	1.1– 30.6. 2000	1.1– 31.12. 1999	1.1– 30.6. 2000	1.1– 31.12. 1999				
All figures in €m*												
Investment income												
Regular income	775	1,179	1,226	1,937	2,125	4,960	165	426	6	18	4,297	8,520
Income from write-ups	2	16	18	22	7	37	1	6	0	0	28	81
Gains on the disposal of investments	23	293	99	541	825	789	35	57	0	0	982	1,680
Other income	0	0	0	1	0	25	0	1	0	0	0	27
	800	1,488	1,343	2,501	2,957	5,811	201	490	6	18	5,307	10,308
Investment expenses												
Regular expenses	31	51	53	95	73	167	6	21	1	20	164	354
Writedowns on investments	1	21	15	45	22	95	4	15	0	0	42	176
Losses on the disposal of investments	6	24	39	99	14	121	3	9	0	0	62	253
Other expenses	1	0	0	0	0	0	0	0	0	0	1	0
	39	96	107	239	109	383	12	45	1	20	269	783
Total	761	1,392	1,236	2,262	2,848	5,428	188	445	5	-2	5,038	9,525

* After elimination of intra-Group transactions across segments.

Net expenses for claims and benefits

	Reinsurance				Primary insurance				Total	
	Life and health		Property-casualty		Life and health		Property-casualty		1.1– 30.6. 2000	1.1– 31.12. 1999
	1.1– 30.6. 2000	1.1– 31.12. 1999	1.1– 30.6. 2000	1.1– 31.12. 1999	1.1– 30.6. 2000	1.1– 31.12. 1999	1.1– 30.6. 2000	1.1– 31.12. 1999		
All figures in €m*										
Gross	1,458	2,685	5,520	10,170	6,691	12,600	1,259	2,336	14,928	27,791
Ceded share	257	424	1,028	1,690	143	256	147	180	1,575	2,550
Net	1,201	2,261	4,492	8,480	6,548	12,344	1,112	2,156	13,353	25,241

* After elimination of intra-Group transactions across segments.

Net operating expenses

	Reinsurance				Primary insurance				Total	
	Life and health		Property-casualty		Life and health		Property-casualty		1.1– 30.6. 2000	1.1– 31.12. 1999
	1.1– 30.6. 2000	1.1– 31.12. 1999	1.1– 30.6. 2000	1.1– 31.12. 1999	1.1– 30.6. 2000	1.1– 31.12. 1999	1.1– 30.6. 2000	1.1– 31.12. 1999		
All figures in €m*										
Gross	549	884	1,992	3,205	836	1,675	704	1,254	4,081	7,018
Ceded share	14	17	331	360	87	75	58	66	490	518
Net	535	867	1,661	2,845	749	1,600	646	1,188	3,591	6,500

* After elimination of intra-Group transactions across segments.

Number of staff

The number of staff employed by the Group as at 30th June 2000 totalled 26,576 (26,124) in Germany and 8,275 (7,121) in other countries.

	30.6.2000	31.12.1999
Reinsurance companies	5,297	5,291
Primary insurance companies	29,136	27,910
Asset management	418	44
Total	34,851	33,245

Contingent liabilities, other financial commitments

As members of the German Reinsurance Pharmapool, the German Nuclear Insurance Pool and the German Aviation Pool, several Group companies are committed – to the extent of their proportional shares – to assuming the payment obligations of other pool members if the latter are not able to meet these obligations.

There are no other financial commitments of significance for the assessment of the Group's financial position. No contingent liabilities have been entered into for the benefit of Board members.

Earnings per share

The earnings per share figure is calculated by dividing the consolidated net income for the year by the weighted average number of shares.

New shares created in the first half of 2000 by the exercise of warrants are included pro rata temporis from the respective date of delivery. The weighted average number of shares was 176,919,943 (175,793,668). This gives an earnings per share figure of €3.69 (6.45).

For the diluted earnings per share, the number of shares is increased by the weighted average of the potential number of shares that would have a diluting effect. Outstanding warrants are additionally included pro rata temporis up to the time they are exercised. At an average share price of €305.93 (195.44) and a warrant exercise price of €163.61, this results in a dilution of 813,985 (285,409) shares. The diluted earnings per share, the calculation of which was based on 177,733,928 (176,079,077) shares, thus amount to €3.67 (6.44).

Important dates

Balance sheet meeting of Supervisory Board	28th May 2001
Interim report as at 31st March 2001	29th May 2001
Balance sheet press conference	29th May 2001
Analysts' conference	Munich, 5th June 2001 London, 6th June 2001
Annual General Meeting	18th July 2001
Dividend payment	19th July 2001
Interim report as at 30th June 2001	30th August 2001
Interim report as at 30th September 2001	29th November 2001

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

Our Investor Relations Division will be glad to supply you with any other information you require:

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