

Munich Re Group

Quarterly financial statement as at 31.3.2007

Media telephone conference

Changing Gear

Nikolaus von Bomhard
Jörg Schneider
Torsten Jeworrek

4 May 2007



Münchener Rück
Munich Re Group



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Introduction	Nikolaus von Bomhard	3
Financial reporting Q1 2007	Jörg Schneider	6
Perspectives in reinsurance	Torsten Jeworrek	15
Selected further growth initiatives	Nikolaus von Bomhard	
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Introduction

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Building a track record
Munich Re Group well on track

- ✓ Staying focused on our integrated strategy with risk as our business across full value chain of insurance
- ✓ Areas of unnecessary volatility addressed
- ✓ Growth initiatives in place
- ✓ Consistent capital management

Record result in 2006
€3.5bn

All targets for 2006
achieved

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Introduction

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Changing Gear programme
Basis for profitable growth

Changing Gear programme 2007 – 2010

- Ambitious growth targets
- Best in class
- Capital efficiency

Returning
>€3bn
to shareholders

Average EPS growth
>10% p.a.

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Financial reporting Q1 2007		
Overview In spite of Kyrill: Results at the high level of preceding year		
GROUP Gross premiums written in €m	REINSURANCE Combined ratio property-casualty in %	PRIMARY INSURANCE Combined ratio property-casualty in %
Q1 2006 10,036	Q1 2006 91.6	Q1 2006 97.0
Q1 2007 10,020	Q1 2007 101.8	Q1 2007 102.1
Slight increase in PI offset by decrease in RI due to strong €	Kyrill takes its toll with €450m burden – but underlying/basic business in very good shape	
GROUP Investment result in €m	GROUP Equity in €bn	GROUP Group result in €m
Q1 2006 2,129	31.12.2006 26.4	Q1 2006 979
Q1 2007 3,161	31.03.2007 26.5	Q1 2007 982
Outstanding RoI of 7.1% (ann.) due to gains from disposals	Excellent profit offsets impact from share buy-back	Strong results in all segments

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Financial reporting Q1 2007



Premium development Currency effects offset by growth

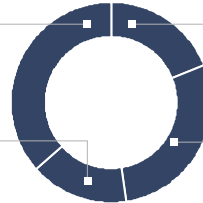
in €m

Gross premiums written Q1 2006	10,036	
Foreign exchange effects	-256	
Divestment/Investment	90	
Organic change	150	
Gross premiums written Q1 2007	10,020	

Breakdown by segment
(consolidated)

Reinsurance
Property-casualty
3,660 (36%)
(▲-1.3%)

Reinsurance
Life: 1,321 (13%)
(▲-11.8%)
Health: 286 (3%)
(▲+9.2%)



Primary insurance
Property-casualty
1,899 (19%)
(▲+10.9%)

Primary insurance
Life: 1,471 (15%)
(▲-4.4%)
Health: 1,383 (14%)
(▲+5.1%)

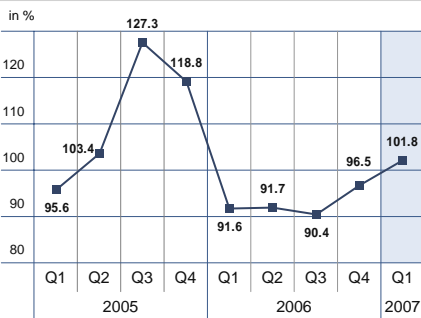
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Financial reporting Q1 2007



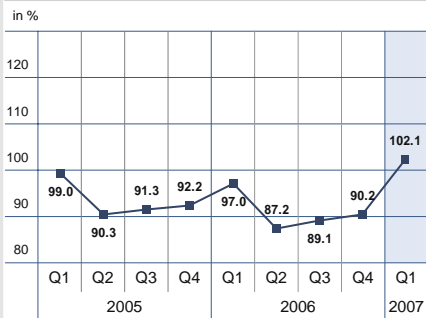
Underwriting results Kyrill within lower range of earlier expectations

REINSURANCE P-C
Combined ratio



- Substantial increase in NatCat claims
- Kyrill contributing losses of €390m¹ or 11.2%-points to combined ratio
- Lower level of major man-made claims at €142m (Q1 2006: €196m)

PRIMARY INSURANCE P-C (incl. legal expenses)
Combined ratio



- Increase in claims mainly driven by Kyrill €60m¹, adds 5.8%-pts. to combined ratio
- High underlying profitability

¹ Before tax, after retrocession.

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Financial reporting Q1 2007

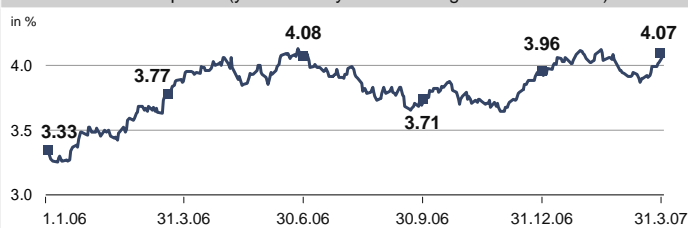


Return on investment

Extremely good due to sales of real estate and equities

Q1 2007	in €m	Return ¹
Regular income	1,827	4.1%
Other income/expenses	-111	-0.2%
Gains/losses on the disposal of investments	1,691	3.8%
Write-downs/write-ups of investments	-246	-0.6%
Investment result	3,161	7.1%

Interest-rate development (yield on ten-year German government bonds)



Including variation in reserves:

- Change in total reserves²: -1,581 (-3.6%)
- Total income: 1,580 (3.5%)

¹ Return on quarterly weighted investments (market values) in % p.a.

² On- and off-balance-sheet reserves.

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Financial reporting Q1 2007



Development of consolidated result

Strong results in all segments

	Q1 2006	Q1 2007
Reinsurance: Life and health	182	172
Reinsurance: Property-casualty	659	626
Primary insurance: Life and health	2	64
Primary insurance: Property-casualty	136	194
Asset management	14	34
Consolidation	-14	-108
Consolidated result	979	982

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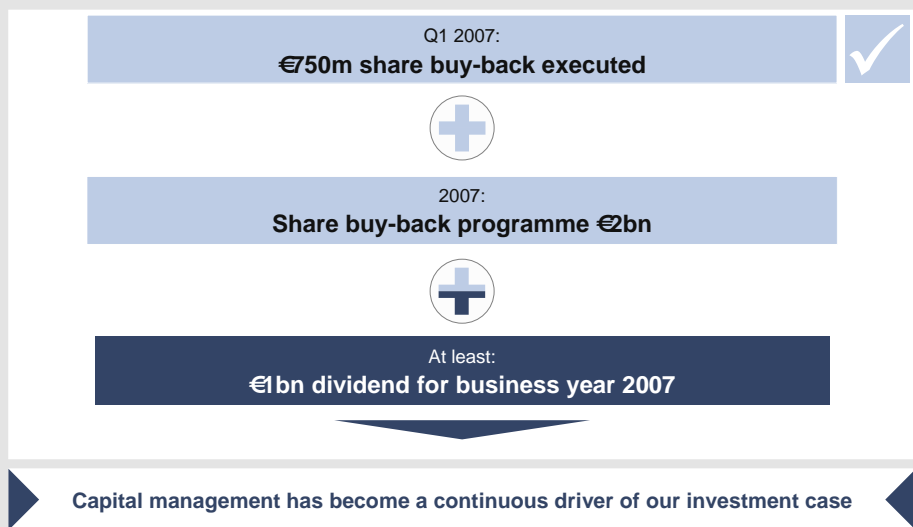
A clearer picture

Previous assumptions		
RoRaC target: 15%		
	Reinsurance	Primary insurance
Gross premiums written	€22–23bn	€17–17.5bn
Currency environment	stable	
Normal major losses	NatCat 5%	NatCat n.a.
Combined ratio property-casualty	below 97%	below 95%
European Embedded Value earnings	in the range of 8–9%	in the range of 8–9%
Return on investment	4.5%	
Tax environment	stable	
Net profit	€2.3–2.6bn	€0.6–0.75bn
Consolidated net profit for the Group	€2.8–3.2bn	

Assumption changes	Rationale
Gross premiums written reinsurance €1.0–21.5bn¹	Strong Euro
Normal major losses reinsurance NatCat 7%	Kyrill
Return on investment 5.0%	Gains from disposal
Consequences	
Net profit reinsurance €2.7–2.9bn	
Net profit primary insurance €0.7–0.8bn	
Consolidated net profit for the Group €3.0–3.2bn	

¹ Based on currency levels as at Q1 2007.

Optimising capital efficiency further



Positive developments

Reinsurance: Life

in €m

2005 5,920  511 11.3%

2006 5,962  525 8.9%

■ Thereof operating embedded value earnings

- Weaker US\$ and CAN\$ reduce European Embedded Value
- Operating earnings supported by:
 - Expected return €286m
 - Value added by new business €228m

Primary insurance: Life/Medical

in €m

2005 2,865  437 14.7%

2006 4,154  742 25.9%

■ Thereof operating embedded value earnings

- Favourable capital markets
- Higher interest rate level, lower volatility
- Value added by new business €125m
- Higher shareholders' share of gross surplus

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Highlights of April renewals

Selective growth in line with profitability targets

Global segments and US market: Overall premium increase

- Global segments: Premium increase
 - Profitable growth in the US market with selected global clients
- US market: Premiums down
 - US NatCat at attractive price levels, but 1 April not a major renewal date
 - Some pressure on pricing on non-cat lines

- 8% of total P-C portfolio was up for renewal in April
- Overall premium increase of around 2%, driven by selective underwriting

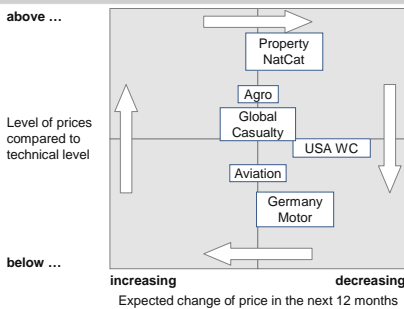
Japan/Korea: premiums about flat

- Disciplined underwriting in competitive segments (e.g. engineering/property Korea)
- Profitable new business opportunities in casualty and Japanese EQ exposures

Cycle management

Appetite for business strictly aligned to price adequacy

State of the cycle



- Peak of cycle reached, but broad variance in decline of prices
- Majority of business at attractive technical level; only selected lines below technical level
- Increased efforts to acquire new business in attractive segments

Munich Re portfolio management

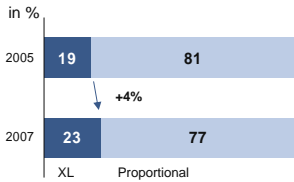
New business in €m		+
2005	China P-C	330
	US/Europe property	70
	Europe casualty	90
2006	US motor proportional	70
	Agro	90
2007	US property cat	115
	Agro	50
Cancelled in €m		-
2005	US workers' comp	120
	Europe motor	180
2006	Multinational US casualty	95
	Germany motor	50
2007	Germany/France motor	85
	China P-C	210

Capital management to support sustainable cycle management

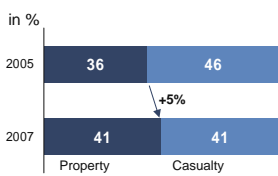
Structure of portfolio purely driven on value-based analysis

Development of P-C risks from 2005 to 2007

Type of treaty¹



Lines of business¹



¹ As percentage of total portfolio in premiums written 2005 to 2007.

Portfolio optimisation by

Pricing of each treaty according to risk and product specifics without predefined product or line of business strategy

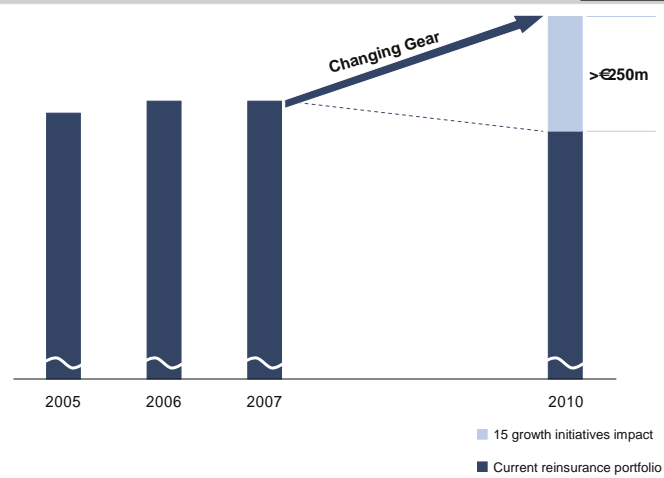
Products have different profitability per line of business

Attractivity varies by cedant and market status in the cycle

Optimal portfolio structure varies

Changing Gear: Realisation of untapped profit pools

Reinsurance profits



Illustrative

- Market conditions make profit growth out of traditional reinsurance operations difficult
- Profit growth ambition to be fuelled out of innovative initiatives

- 15 defined growth initiatives
- Address whole of reinsurance, e.g.
 - Opening markets
 - Product adjacencies

1 Product development

2 Insurance out of reinsurance

15 growth initiatives

Expanding value chain and addressing borderline of reinsurance

1 Product development out of reinsurance

- Development of new insurance products for uninsured or new perils
- Deployment of holistic expertise of risk management

Examples

- | | |
|-------------------------|--|
| IT virus protection | <ul style="list-style-type: none"> Coverage of cost of data recovery, loss of earnings due to down time of computer systems, and contingent business interruption under special circumstances Started to market with long-standing clients |
| Kyoto multi-risk policy | <ul style="list-style-type: none"> Concept provides support for investors in carbon markets and contributes to acceptance and feasibility of Kyoto mechanisms Traditionally separated lines are combined by adopting holistic approach |

2 Insurance out of reinsurance

- Expand access to affinity groups by securing control over dedicated distribution channels
- Reduced exposure to market cycles results in attractive technical pricing level

Examples

- | | |
|-----------------------------------|--|
| Alternative distribution channels | <ul style="list-style-type: none"> Integrate product into existing access to attractive insurance buyers, e.g. affinity schemes Manage risk and distribution attractivity out of reinsurance |
| MGAs | <ul style="list-style-type: none"> Enhanced co-operation with MGA with long-standing relationship to allow expansion of business Access to premiums that have been kept as retention Direct influence in risk selection, pricing and capacity |

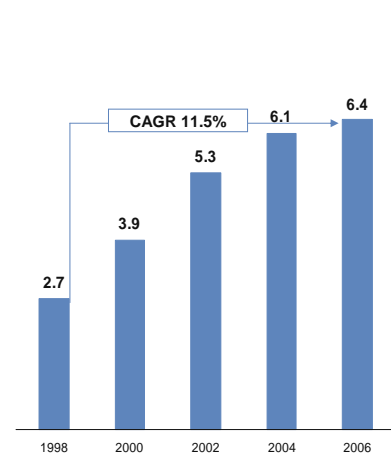
Global life - where do we stand today

Success story life reinsurance

Strong top-line growth ...

Gross premiums written

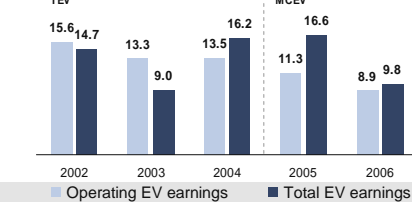
in €bn



... with sustainable earnings ...

EV earnings (as % of EV BoY)

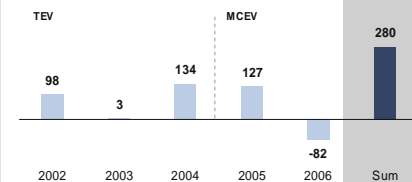
in %



... and in hindsight conservative assumptions

Experience variances

in €m



Perspectives in reinsurance

Where do we go
Our new global life strategy




Excellence
... improve what we already do well


Innovation
... introduce new products and bring excellence to new markets

Growth in earnings
... achieve VANB growth of 15% p.a.

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Selected further growth initiatives – International health

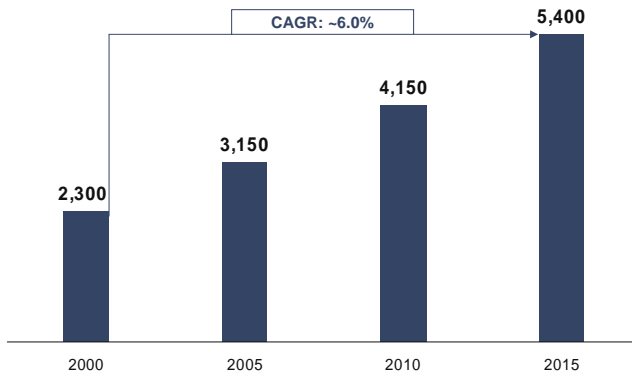


Our playing field – The global health market

Grown significantly since 2000 and expected to continue to grow

Global health market – Market volume

in €bn



Main growth drivers

Demographic development

Medical improvements

Lifestyle changes

Economic situation

Source: OECD Health Statistics, Compustat, Bloomberg

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Selected further growth initiatives – International health

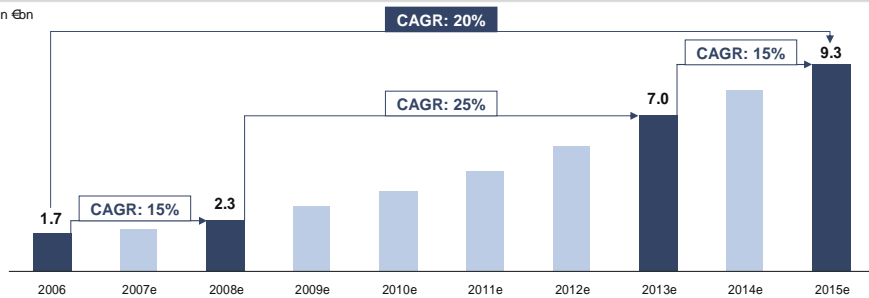


Our financial aspiration and strategic frame

Premium and profit growth of 20% p.a. until 2015 expected

GWP 2006 – 2015e

in €bn



"First Wave" 2005–2008

Seed
Mid- and long-term growth in emerging markets via start-up

"Second Wave" 2009–2012

Capture
Fast growth via acquiring and building significant growth sources in mature markets

"Third Wave" 2013 & onwards

Consolidate
Sustain growth and profitability via integration and consolidation

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Selected further growth initiatives – ERGO international

ERGO international

Detailed view highlights focused approach





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Life and property-casualty

- Focus on fast-growing markets CEE and southern Europe
- Targeting partners for India and China
- Selective expansion to deliver higher growth and diversification

Legal expenses business

- Internationalisation started in 1955
- Presence in 15 European countries apart from Germany
- Market leader in 10 of 15 foreign markets
- Share of foreign business increased to >50%

Sustainable platform for growth initiatives in primary insurance

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Development of international activities

Selected initiatives

Acquisition of ISVIÇRE, Turkey

- Integration of a real growth driver into ERGO's portfolio
- Operational integration on track – change of ownership without effect on strong insurance sales
- Successful rebranding to ERGOISVIÇRE
- Focus on further growth

Selective expansion in European growth markets

- Organic growth: Further development of sales channels and further penetration of client base
- Acquisitions: In attractive markets, target selection aligned to profitability and price attractiveness

Building strong presence in Asian primary insurance markets

- Geographical focus: India, China
- Huge market potential through economic growth and increased insurance penetration
- Focus both on life and non-life activities



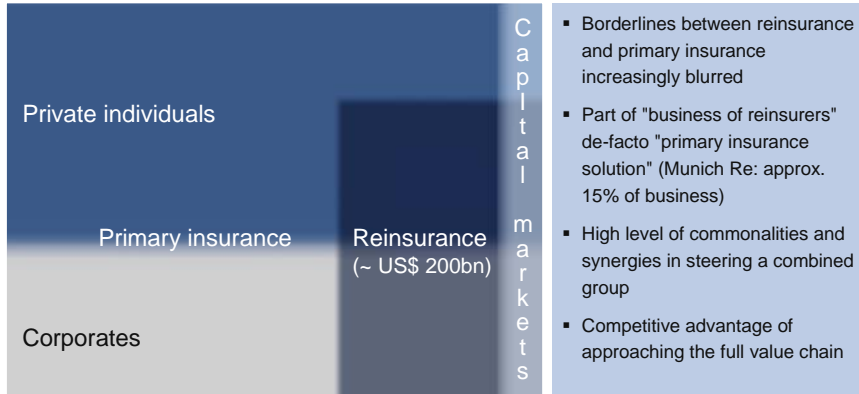
Disciplined expansion approach in selected international markets

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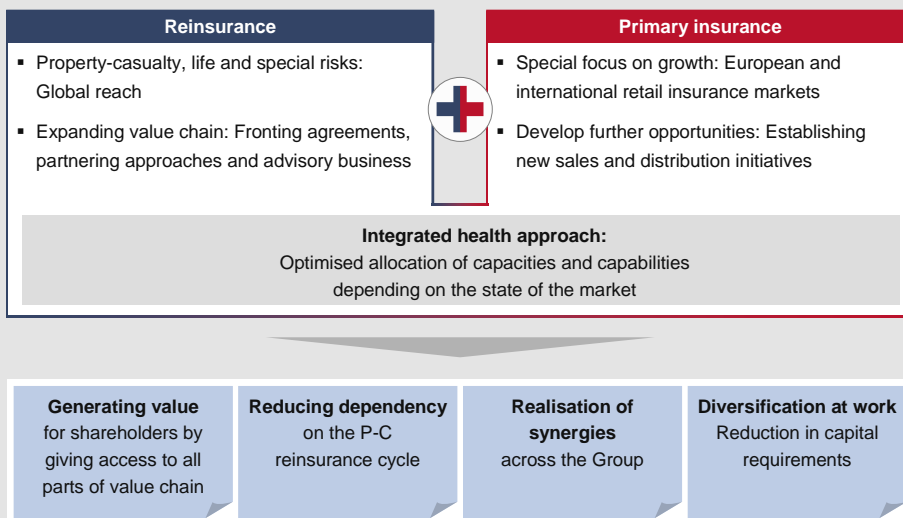
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One growing and converging global market for insurance risks

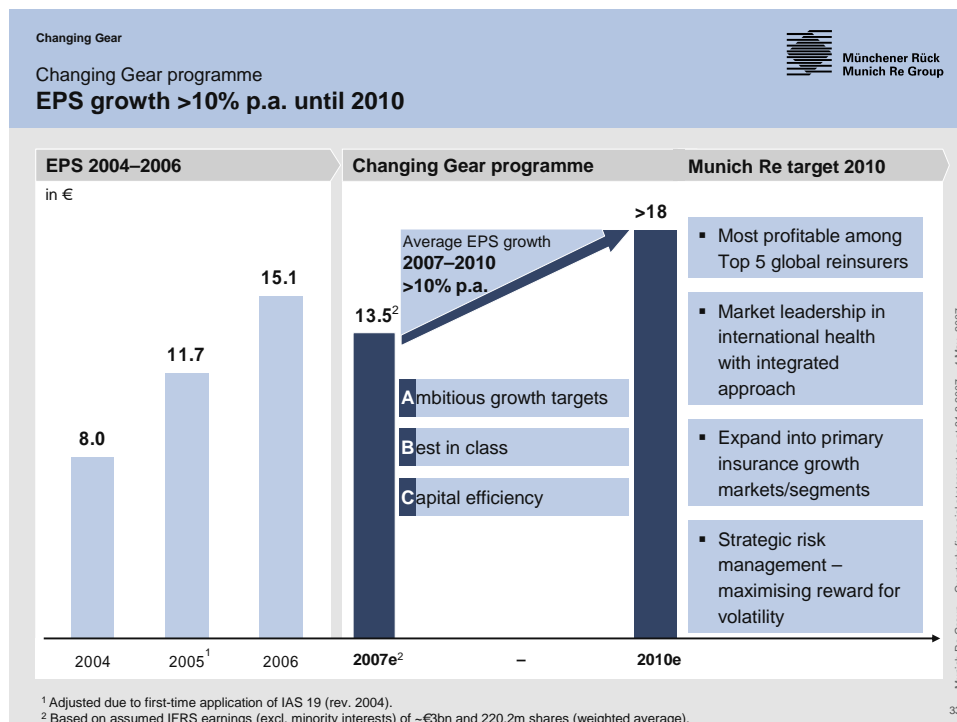
Attractive >US\$ 3 trillion market



Serving one global insurance market




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Changing Gear

Changing Gear programme
Well defined initiatives underway



Munich Re Group initiatives

- A**mbitious growth targets
- B**est in class
- C**apital efficiency

Reinsurance	International health	Primary insurance
Most profitable among Top 5 global reinsurers:	Market leadership with integrated approach:	Expand into PI growth markets/segments:
A Expansion in life re VANB CAGR: 15%	A Global health strategy with profit growth above 20%	A Increase P-C profits with sustainable CR <95%
A Execution of 15 defined growth initiatives	B IH-wide skills and knowledge management initiative	A Foreign profit CAGR until 2010: 15%
B Efficiency programme		A Distribution initiative
B Cycle management with sustainable CR <97%		B Integrated back- and front-office initiative
		B German PI cost targets
		C Optimise ERGO capital structure

EPS-target of CAGR >10% (2007 – 2010)

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Changing Gear

Capital management
Ambitious programme for next 3 years



At least €1bn dividend per year



Share buy-back programme of >€5bn



Total pay-out >€8bn

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Disclaimer



This report contains forward-looking statements that are based on current assumptions and forecasts of the management of Munich Re. Known and unknown risks, uncertainties and other factors could lead to material differences between the forward-looking statements given here and the actual development, in particular the results, financial situation and performance of our company. The company assumes no liability to update these forward-looking statements or to conform them to future events or developments.