

Munich Re Group

Quarterly financial statement as at 30.9.2007

Changing Gear

Media telephone conference

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5 November 2007



Münchener Rück
Munich Re Group



Agenda



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Munich Re at a glance



✓	Result for the first nine months exceeds plan – Strong profitability of basic business	Q1–3 result €3.3bn
✓	Selective acquisitions and partnerships provide greater scope for profitable growth	Consistent implementation Changing Gear
✓	Changing Gear – Capital efficiency programme is making swift progress; strict adherence to cycle management	
(✓)	Result target corridor within reach – May even be slightly exceeded	2007 profit target €3.5–3.8bn

Financial reporting for Q1–3 2007



Group

Well on track for another record result

GROUP Gross premiums written	REINSURANCE Combined ratio property-casualty	PRIMARY INSURANCE Combined ratio property-casualty
in €m	in %	in %
Q1–3 2006 28,080	Q1–3 2006 91.2	Q1–3 2006 91.0
Q1–3 2007 28,076	Q1–3 2007 98.0	Q1–3 2007 92.9
Adjusted for currency effects 2.1% growth	Strong underlying business – 7.3%-pts. NatCat impact	Excellent level with 92.1% in Q3
GROUP Investment result	GROUP Equity	GROUP Group result
in €m	in €bn	in €m
Q1–3 2006 7,060	31.12.2006 ¹ 26.3	Q1–3 2006 ¹ 2,850
Q1–3 2007 7,636	30.9.2007 24.9	Q1–3 2007 3,348
RoI of 5.7% due to favourable capital markets	Only slight decrease despite share buy-back	€1,216m in Q3 including one-off tax effect of €395m

¹ Adjusted due to IAS 8.

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Financial reporting Q1–3 2007



Premium development

Organic growth and acquisitions compensate currency effects

in €m	
Gross premiums written Q1–3 2006	28,080
Foreign exchange effects	-597
Divestment/Investment	280
Organic change	313
Gross premiums written Q1–3 2007	28,076

Breakdown by segment (consolidated)	Reinsurance		Primary insurance	
	Property-casualty	Life/Health	Property-casualty	Life/Health
	10,272 (36.6%)	4,132 (14.7%)	4,415 (15.7%)	4,381 (15.6%)
	(▲-1.4%)	(▲-7.5%)	(▲+12.5%)	(▲-5.1%)
	867 (3.1%)	867 (3.1%)	4,009 (14.3%)	4,009 (14.3%)
	(▲+4.7%)	(▲+4.7%)	(▲+4.7%)	(▲+4.7%)

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Financial reporting for Q1–3 2007



Consolidated result

Significant improvement in all segments

in €m	Q1 2007 ¹	Q2 2007	Q3 2007	Q1–3 2006 ¹	Q1–3 2007
Reinsurance life and health	172	229	315	429	716
Reinsurance property-casualty	626	895	542	1,932	2,063
Primary insurance life and health	56	43	178	164	277
Primary insurance property-casualty	194	117	164	398	475
Asset management	34	13	2	30	49
Consolidation	-108	-139	15	-103	-232
Consolidated result	974	1,158	1,216	2,850	3,348

¹ Adjusted due to IAS 8.

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Financial reporting for Q1–3 2007

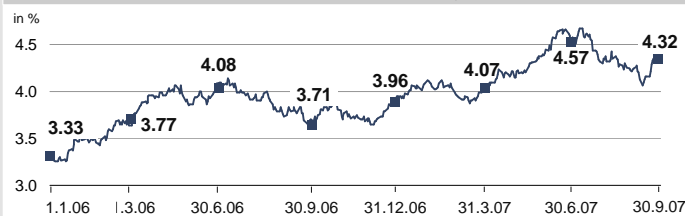


Return on investment

RoI well above full-year guidance

Q1–3 2007	in €m	Annualised return ¹
Regular income	6,240	4.6%
Other income/expenses	-417	-0.3%
Gains/losses on the disposal of investments	2,579	1.9%
Write-downs/write-ups of investments	-766	0.5%
Investment result	7,636	5.7%

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



Including variation in reserves:

- Change in total reserves²: -4,262 (-3.2%)
- Total income: 3,374 (2.5%)

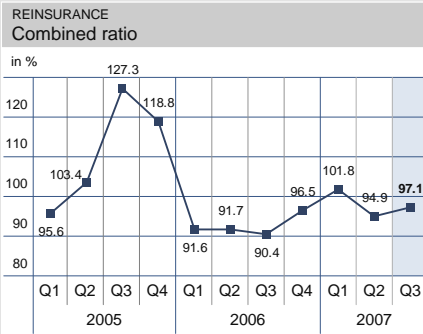
¹ Return on quarterly weighted investments (market values) in % p.a.
² On- and off-balance-sheet reserves.

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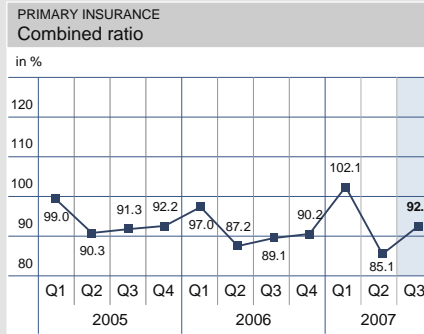
Financial reporting for Q1-3 2007



Underwriting result property-casualty incl. legal expenses Sustained strength in basic business



- NatCat burden Q1-3: 7.3 percentage points – Impacted by Kyrill
- At profitable level, despite higher NatCat losses
- At 97.1%, Q3 ratio at sustainable level despite many regional events



- Development in Q1 also marked by Kyrill
- Otherwise very good ratios
- Result of an excellent portfolio mix and profit orientation in underwriting

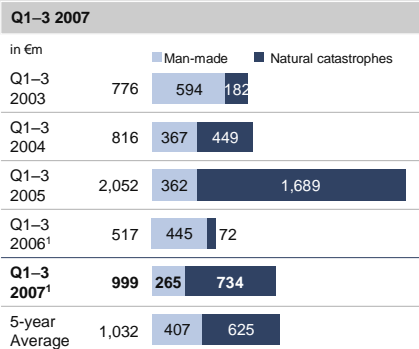
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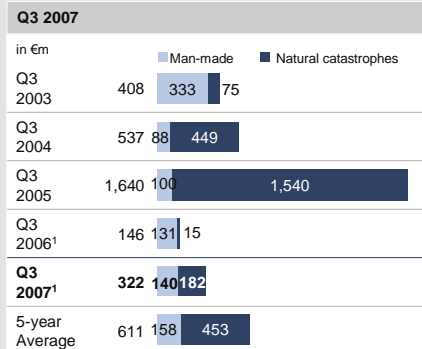


Major claims (gross) Above-average NatCat-losses YTD due to several mid-size events



- Above-average NatCat-losses YTD**
- Winter Storm Kyrill contributed €390m in Q1
 - Further major NatCat events: Storm New South Wales (Australia) and floods UK
 - Man-made losses below average level

¹ Incl. run-off-profits.



- NatCat-losses well below average**
- Major Q3 event: Hurricane Dean (Mexico, Caribbean) ~€60m
 - Further events like floods UK, earthquake Japan and Peru as well as plane crash Brazil account each for single- to double-digit-million amount

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Financial reporting for Q1–3 2007



Equity

Generated earnings almost fully repatriated

in €m

Equity 31.12.2006 ¹	26,320	
Consolidated result	3,348	
Changes		
Dividend	-988	
Unrealised gains/losses ²	-1,210	
Exchange rates	-294	
Share buy-backs	-2,315	
Other	-4	
Equity 30.9.2007	24,857	

¹ Adjusted due to IAS 8.
² On other securities.

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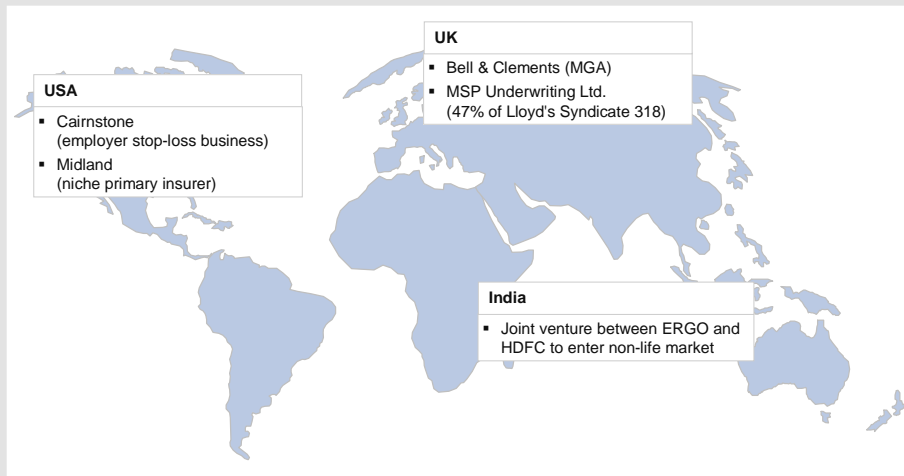
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Selected growth

Update on recent transactions

A very focused approach



Acquisitions support strategy to get closer to the risk or initiate strong presence in growing markets

Selected growth

ERGO partners with HDFC Ltd.

Perfect match for growing Indian market



Direct entry into Indian non-life insurance market

HDFC Ltd. – Market leader in India for housing development financing

- Founded in 1977: three million financing contracts, 17 million clients
- Over 230 outlets nationwide – with a range covering 2,400 towns/cities
- Loans paid out (up to 31 March 2007): US\$ 6.5bn

ERGO assets

- Product know-how and innovation
- Underwriting expertise
- Process/IT synergies



HDFC Ltd. assets

- Premier Indian financial services provider – Excellent reputation
- Excellent franchise strength
- Many years joint-venture experience

Details of the cooperation:

- ERGO acquires 26% stake in HDFC General Insurance Ltd.
- Name of joint-venture company: HDFC ERGO General Insurance Ltd.
- Objective: Position among the top 5 Indian private non-life insurers

Selected growth



Midland – Acquisition rationale

Unique opportunity to expand in US specialty p-c market

Highlights and strategic rationale

- US\$ 65 per share offer for 100% of outstanding shares of The Midland Company, total offer amounts to US\$ 1.3bn (€0.9bn)
- Focus on profitable, fast-growing US specialty insurance segments
- Emphasis on short-tail, low-severity personal lines insurance
- Full integration into Munich Re Group (steering, corporate underwriting, NatCat exposure management)

Long-standing experience of Munich Re in specialty insurance coming into Munich Re Group via MGAs and primary insurance companies



- Borderlines between reinsurance and primary insurance have become blurred – Primary-insurance-related business represents around 15% of Munich Re's reinsurance non-life volume
- High level of commonalities and synergies in steering a combined group

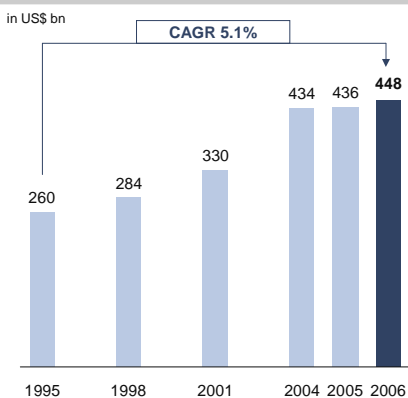
Selected growth



Acquisition rationale

Logical step within our new US strategy

US primary p-c market – Net premiums written



Goals of new US strategy

- Participate in significant potential of US p-c market
- Sustainable, profitable growth over course of market cycle
- Increase profitability from direct and broker reinsurance as well as primary insurance by
 - Employing a client-centric approach
 - Developing closer broker relationships to support clients' needs
- Building a dominant presence in specialty primary insurance segments

▶ One of the world's largest and fast-growing insurance markets

▶ Full commitment to disciplined cycle management

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Changing Gear

Cycle management and renewals

Expertise and pricing discipline are the keys to success

Reinsurance trends in 2007

- Competition/capacities continue to rise, litmus test for cycle management
- Cycles do not all follow the same pattern – Global reinsurance segments subject to greater pressure than expertise-based specialised business
- Thus far, the pressure on primary insurance prices has been greater than on reinsurance prices
- Large losses – particularly from natural hazard events – will influence the (NatCat) renewals

Status report for ongoing 2007 renewals

- Markets harder than certain sections of the industry expected, capacity providers remain disciplined
- Price levels generally risk-adequate, despite mounting pressure

Munich Re benefits from unique know-how,
excellent service and great financial strength

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Changing Gear

Cycle management and renewals

Claims experience in 2007 so far – Many regional events



Up to now, numerous regional natural hazard events (total insured losses)

Winter Storm Kyrill, Europe (in January)	€4.5bn
Floods in the UK (in June and July)	€2.2bn each
Winter Storm East coast Cat 98, USA (April)	€1.1bn
Wildfires California, USA (October)	>€1bn
Storm, Floods, New South Wales, Australia (June)	€850m
Hurricane Dean, Caribbean and Mexico (August)	>€730m
Cyclone Gonu, Oman (June)	€490m
Storm Cat 96, USA (series of tornadoes in March)	€375m
Typhoon Fitow, Japan (September)	€350–500m
Earthquake, Japan (July)	<€350m
Floods, Switzerland (August)	€200m
Earthquake, Peru (August)	€110–145m

Risk-adequate prices and conditions continue to be a core objective
Consistent implementation in management and underwriting

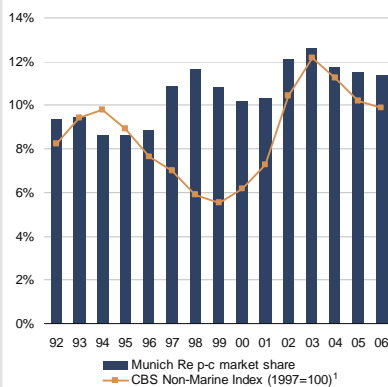
Changing Gear

Cycle management and renewals

Ensuring optimum cycle management in the long term



Munich Re's share of property-casualty reinsurance in relation to the cycle




Source: Munich Re Economic Research

¹ CBS Non-Marine Index, commonly used for tracking the market cycle in reinsurance. Estimate for 2006.








Why we can view the future optimistically

- Active cycle management based on Munich Re's underwriting expertise and specialist market knowledge
- Suitable state-of-the-art management tools and processes:
 - Consistency along the process chain (risk models → pricing → renewal decision)
 - Continuous renewal monitoring
 - Clear escalation mechanism in case of deviations
- Incentive systems purely based on results
- Market shares and results demonstrate that active cycle management is successful
- Growth focus on less-cycle-dependent segments

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Changing Gear – Capital efficiency programme		
Capital management 2007		
Further increase in capital efficiency		
1st quarter 2007 Share buy-back (volume €750m) swiftly completed		
		
2nd quarter 2007 Hybrid bond (volume €1.5bn) placed		
		
May to October 2007 Next share buy-back tranche May 2007 to April 2008 (volume €2bn) already more than two-thirds completed		
		
More than €1bn dividend payout for the financial year 2007		

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Q1–3 2007 Summary	
<p>Strong result after nine months</p> <p>€3.3bn</p>	<p>Increased confidence level to achieve or even slightly exceed net profit target</p> <p>€3.5–3.8bn</p>
<p>Cycle management and disciplined underwriting</p> <p>support future success</p>	<p>Focused acquisitions</p> <p>to detach further from traditional reinsurance cycle</p>
<p>Buy-back programme</p> <p>well on track</p>	<p>Highly committed to overall capital management target</p> <p>of at least €8bn</p>

Disclaimer



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