

Munich Reinsurance Company

Annual General Meeting of Shareholders on 26 April 2007

Report of the Chairman of the Board of Management

Dr. Nikolaus von Bomhard

Ladies and gentlemen,

On behalf of the Munich Re Board of Management, I too would like to welcome you most cordially to today's Annual General Meeting.

(Slide 1: Goals achieved: We are highly profitable)

This is my fourth AGM as Chairman of Munich Re's Board of Management. Three years ago, when I stood before you for the first time, I announced my intention to lead the Munich Re Group towards sustained future profitability after a series of difficult years. This entailed

- not only maintaining the operative profitability achieved in our reinsurance business in 2003 but also expanding this further and if possible improving on it;
- making profits again in primary insurance that met Group objectives – with the focus on ERGO;
- and finally introducing systematic integrated risk management to actively control balance sheet risks of all kinds and thus optimise our return to shareholders.

These three main thrusts of action have determined our work programme over the past three years.

Today I can say that the tasks we set ourselves back then are largely completed.

(Slide 2: Third record result in a row)

We are highly profitable. We have established a respectable result level, also in comparison with our competitors. We have worked through our programme. "What now?" you may ask. We need a new perspective, a refocusing. Our share price does not adequately reflect all that we have achieved in the last few years, and we are not satisfied with that. Through the "change of gear" that we propose to make on the back of our third record profit in succession, we intend to bring more momentum to Munich Re's future development. We also want to convince the capital markets of our ability not only to put the Munich Re Group back on a profitable footing but also to develop it going forward as one of the leading international financial groups, building on the results already achieved.

(Slide 3: Significantly better than expected)

But first a look at the recent past – the performance and results of the financial year 2006. With a profit of €3.5bn for 2006, we are presenting a record result for the third time in a row. We thus significantly exceeded our original expectation for 2006 of between €2.6bn and €2.8bn. The same applies to RORAC, our return on risk-adjusted capital. Instead of the target of 15%, we achieved 20.3%. Our success is reflected above all in our operating result, which increased from €4.1bn in 2005 to €5.5bn in 2006.

Premium income in reinsurance remained roughly stable at €22.2bn, whilst in primary insurance it decreased by 4.7% compared with the previous year – purely due to changes in the group of consolidated companies – so that altogether Group premium showed a slight reduction to €37.4bn. In the last few years, we have repeatedly said that for us premium growth is not an end in itself and that places in the premium rankings do not interest us. Our focus is on increasing profit, and that continues to be the case. We will not go for growth at the cost of poorer results.

As far as our investments were concerned, the favourable climate on the stock markets had a very positive effect on price gains, a portion of which we realised. It is true that, at €8.9bn, the investment result fell compared with the previous year, but that is because in 2006 there were no special factors like the gains on the HVB-UniCredit share exchange, which we profited from in 2005.

(Slide 4: Primary insurance – Strategy pays off: High ERGO profit)

The excellent consolidated result is the sum of the very good results we recorded in both primary insurance and reinsurance. ERGO clearly surpassed its targets. One of the consequences is that its return on equity shows an increase from 7.5% in 2004 to 21.4% last year. This is a very considerable achievement, as is the growth in ERGO's profit, which rose

year on year from €786m to €906m, even though it benefited from far fewer special factors than in 2005. ERGO is setting new standards in the quality of its business, with its traditionally very good combined ratio falling again from 90.0% to 89.4%. Characteristic of the change in ERGO's positioning is that the profit from foreign operations has greatly increased in the last few years. They now account for around 26% of ERGO's result. And that is by no means the end of the story. The development of primary insurance business abroad has a central place in our plans for expansion, without neglecting ERGO's traditional market of Germany.

"Nothing is more convincing than profit", I said to you last year, when describing the role of primary insurance in the Munich Re Group and the strategic competitive advantage we derive as a Group from this business. Our objective is to achieve a sustained increase in the Munich Re Group's value. The interplay of primary insurance and reinsurance – in a meaningful combination of different value-adding stages, distribution channels and competences – plays a predominant role this objective. And let us not forget that the insurance industry is essentially just one single market. The division into primary insurance and reinsurance is an artificial one – you could almost say an arbitrary one – given the development of the market and the overlaps in activities. There is only one market for risks, irrespective of the point where you "set up stall" as a risk carrier.

(Slide 5: Outstanding result in reinsurance)

Not only our primary insurance result is outstanding. We are again able to present an excellent result in reinsurance business as well. A profit of €2.7bn and a combined ratio of 92.6% speak for themselves. Of course, other reinsurers also did well in 2006 – in some cases very well – because we were largely spared severe natural catastrophes in the year under review after the hurricane year of 2005. But it is also undeniable that in 2006 we kept on course, continuing to realise our long-term-oriented underwriting strategy with great discipline and perseverance, and thus achieving success. We remained true to our principles, with cycle management, underwriting discipline, risk-adequate pricing, client focus and leading know-how providing the foundations for another very good result.

We had already made provision at Group level for strengthening asbestos-related claims reserves at Munich Re America, so that this reserve increase had already been absorbed in economic terms. In my report to the Annual General Meeting two years ago, I told you in this connection that asbestos-related claims had their origin in underwriting years dating back a long way, and also said (and I quote): "The reserving requirements for these losses, which are dependent on the development of the related claims complex in the USA, cannot be precisely quantified. I therefore cannot promise you that we have seen the last of this issue

in 2004." End of quote. Unfortunately, nothing has fundamentally changed as regards this statement, even if we have made adequate provision for the foreseeable future, and recent developments in the USA relating to asbestos can be regarded as positive from our point of view. Incidentally, I am able to report that the results of Munich Re America's underwriting years as from 2002 are very much in order, with an average combined ratio of 96.0% and a profit contribution averaging nearly US\$ 500m per year before tax. This is despite the substantial natural catastrophe cost burden included in this figure, especially from the hurricane year 2005. In other words, the business written in these years has been profitable.

(Slide 6: Summary and expectations)

Ladies and gentlemen, what are our expectations for the current financial year 2007 and how do we assess our performance to date? Our result target for the current year is again a RORAC of 15%. That means we are aiming for a consolidated net profit at Group level of €2.8bn to €3.2bn; may I add in passing that I would like to see a "three" before the decimal point. According to our expectations, this profit is to be made up of a contribution from reinsurance of between €2.3bn and €2.6bn and a profit from primary insurance of between €600m and €750m.

For life primary insurance, we anticipate a marked increase in new business, with slight growth in premium income. In property-casualty insurance, we expect good premium contributions mainly from our foreign business, which accounts for an increasingly large share of our primary insurance operations.

In the health segment, we aim to achieve growth above the market average in Germany in supplementary insurances, whereas in comprehensive health insurance we anticipate a decline in domestic new business of around 15%, owing to the health reform. We intend to realise growth initiatives in China and India, and expect our health business as a whole to expand, especially abroad.

In reinsurance, we were able to consolidate our business at a high level in the renewals of treaties at 1 January 2007, which involve around two-thirds of our treaty business in non-life reinsurance. In so doing, we continued to make no concessions with regard to prices, terms and conditions. We have also adhered to this line in the treaty renewals in Japan and Korea at 1 April 2007. The reports available so far on the course of the renewals in these two countries are positive. Although prices there have also passed their zenith, they are still at an acceptable and risk-adequate level.

We will be publishing the figures for the first quarter of the current financial year on 4 May. But I can already tell you that on the basis of present, still preliminary estimates, we are on track. Apart from European Winter Storm Kyrill, it was a good quarter. The investment result developed well. Gains on the sale of real estate which we initiated last year will partly compensate for the losses sustained from Kyrill.

Random major losses like Kyrill are part of our business model as insurers and reinsurers: we should not forget that. Risk is our business, and risk – by definition – involves losses. The key factor for us is to manage these natural hazard risks in such a way that we can continue to carry them. We have a substantial interest in taking advantage of business opportunities in natural hazards reinsurance, given the increasing focus on this business segment, not least in the light of climate change. For the fact is that climate change does not only have implications for the claims side. A progressive switch to power generation from renewable sources, greater energy efficiency, and the use of new, more sustainable technologies, open up business chances for the insurance industry – in the form of new products, for example. Greater public awareness of high exposure to natural hazards means more demand for insurance cover and makes it easier to charge risk-adequate premiums.

(Slide 7: Objective: Number 1 reinsurer in terms of profit)

Ladies and gentlemen, at the start of my report I said that, after the years of consolidation at a high level, we now want to change gear and develop the Munich Re Group going forward. In recent years we have listened to and registered very carefully what our clients, our investors (i.e. you), and not least our employees, expect of us. From this we have drawn our conclusions. Changing Gear ultimately boils down to our resolve to do justice to these expectations. This means that we, Munich Re (and here am talking about reinsurance), will adopt a more decisive approach externally, i.e. towards clients and markets and also towards future growth potentials, both in our activities and in our communication with clients, investors and the media. We aim to identify profitable fields of growth and business opportunities more consistently and more quickly and to realise our initiatives more swiftly; we want to be more daring in taking new steps. We intend to develop and adapt tailor-made and attractive products and services for our clients more rapidly. To this end, we want to be more enterprising in the way we think and act. We want to and will remove the obstacles that stand in our way: mental obstacles (i.e. aspects of our corporate culture that are no longer appropriate) and obstacles in our structure and processes (which means streamlining our organisational set-up).

Our whole organisation will be geared more closely to sustained bottom-line growth. Our aim is a top place in terms of profitability and capital management. That is in our shareholders'

interest. Our clients will derive even greater benefit from their business relations with Munich Re from our ability to satisfy their needs in a faster, more innovative and solutions-oriented way. Staff will be able to focus more strongly on actual business, because we will dismantle internal barriers and simplify administration processes; we intend to give all levels more responsibility, create scope and reward initiative. Just as today we deploy our risk capital where it offers the highest return, in future we will scale back our activities in areas which promise less growth and less profit, and leverage efficiency reserves in administration in order to deploy the freed-up staff in activities where they can contribute more strongly to a sustained increase in the Group's value.

We are currently in the process of putting together a coherent programme with firm milestones for the various initiatives and measures we aim to realise with this gear change. We give you our commitment with regard to this programme and will keep you up to date on the concrete results.

The objectives can be summarised relatively briefly: As a reinsurer, we aim to be the undisputed "number one" – not in terms of premium income but with regard to profit and in the sense that anyone involved in reinsurance immediately thinks first of Munich Re. As a primary insurer, we intend to swiftly exploit business segments and markets with major growth potential, particularly abroad. In the international health market, we aim to be among the market leaders worldwide with our integrated approach.

Changing Gear certainly does not mean a change in strategy. We continue to build on the three pillars of primary insurance, reinsurance and integrated healthcare – although, with an eye to the future, this is not necessarily a conclusive list. We will expedite business expansion with the relevant means offered by each of these fields of business. In a nutshell, this means the following: The main focus in the reinsurance sector will be on the organic expansion of our global business in selected business segments, with particular emphasis on certain aspects. This may, for example, be the development of risk transfer to the capital markets, both for our own business and as a service for our clients – buzzword "risk trading" – or the utilisation of certain risk and market situations, as with agricultural insurance in the USA, where we have built up a successful business model and have achieved market leadership as a result of our professional expertise. We also see good opportunities for our business from the future implementation of the new European solvency regime for insurance companies, under the rubric of "Solvency II", because the requisite capital management is likely to increase many insurers' demand for reinsurance.

What we are aiming at in primary insurance is the expansion and coordination of our distribution network in Germany. We also want to grow in our home market, mainly

organically – and profitably, of course. We may therefore take our foot off the accelerator from time to time in certain market phases and segments, in order not to jeopardise profitability. The emphasis of our growth initiatives lies on personal lines of property-casualty business, company pensions and – now that there is clarity about the health reform – supplementary health insurance. As I have already said, our focus in primary insurance is above all on growth abroad, particularly in southern and eastern Europe, and also in the major emerging markets of Asia. We aim to accelerate this growth not only by developing our own companies but also – insofar as it makes economic sense – by purchasing local insurers or through joint ventures. The acquisition of İsviçre in Turkey will not be the last step in this direction.

In the international health market, we intend to expand broadly – and essentially without regional limitations – in markets with strong growth potential. This includes leveraging our insurance and reinsurance brands and business models; forming, expanding or acquiring health insurance companies or other activities in healthcare; and naturally also providing professional service and consulting in the development of our clients' reinsurance programmes.

(Slide 8: Intelligent growth through ...)

You see that, even before our change of gear, we have begun and pressed ahead with a number of growth initiatives. Their common denominator has been what I like to call "intelligent growth". This is characterised by aiming not for "territorial gains" in which we take business off our competitors with lower margins, but for innovation such as

- new business models, as in our development of the international health market;
- the creative exploitation of changes in market conditions, as in US agricultural business;
- tapping new markets, as in the introduction of legal expenses insurance in eastern Europe;
- new products, as in bond insurance for recycling costs or productivity risk insurance, where we cover the risk that drilling for thermal springs may not be successful;
- new types of income, as in service fees or arbitrage earnings from risk trading.

In other words, the spectrum of what we provide is now very broad. It will continue to evolve, changing in line with the needs of our clients (who are no longer just insurance companies or policyholders, but may also come from the capital markets) and in line with the opportunities for profit and growth in our markets. Changing Gear will also influence and expedite this process.

Ladies and gentlemen, at last year's AGM I talked to you in detail about the topic of capital management. Since 2004, we have continually developed and implemented our capital management strategy. The last major step was the execution of our first share buy-back programme. In the process, we made it clear that further steps would follow if we accumulate more capital than we need for our growth programme. With a view both to our disciplined underwriting and business approach and to our key indicators, we have a strong interest in keeping our capital lean.

To provide you with more transparency on your Munich Re shares and the rights associated with them, we have published an explanatory report on our internet web pages, which is also available here today.

(Slide 9: Comments on the agenda)

This brings me to the items on the agenda on which you will vote today. First, **agenda item 2**, "Appropriation of the net retained profits from the financial year 2006" – which is, of course, another form of capital management. The agenda was sent to you with the invitation. You will also find a copy among the documents you were given today at the entrance to the meeting.

I have said that we manage our capital actively. This includes our flexible dividend policy, which reflects the result of the respective financial year and takes into account our capital requirements. Given the outstanding result for 2006, the Board of Management and Supervisory Board propose payment of an increased dividend of €4.50 per share, €1.40 higher than last year. Altogether, ladies and gentlemen, we will thus distribute a record amount of €988m to you as shareholders.

Together with the share buy-back programme launched last November and concluded this February, we are giving back a total of nearly €2bn to the capital markets.

I have no comments to make on **items 3 and 4** of the agenda, "Approval of the actions of the Board of Management and the Supervisory Board".

Agenda item 5 concerns the "authorisation to buy back and use own shares". The authorisation granted at the last AGM will expire in October, and we would therefore ask you to renew it today.

On the basis of the existing authorisation, a total of 8,040,818 shares, representing 3.5% of the share capital, were repurchased at an average price of €124.36 in the aforementioned share buy-back programme, as part of our active capital management. These shares have

meanwhile been retired, without reducing the total amount of our share capital. The proportion of the share capital represented by each of the other shares has consequently increased.

Outside the share buy-back programme, companies of the Munich Re Group acquired a further 573,744 shares, or 0.26% of the share capital. 14,518 shares were issued to staff under employee share programmes. But the majority of these shares – like those acquired in previous years – serve solely to safeguard stock appreciation rights granted to management. Since the 2006 AGM, we have parted with a total of 252,343 shares through the aforementioned employee share programmes and through sales via the stock exchange.

A total of 1,893,971 own shares are currently in the possession of the Munich Re Group, representing 0.86% of the share capital. You can find out more about this on page 178 of the Group annual report.

The content of the new authorisation we are proposing largely corresponds to that of the authorisation you granted last year. More details can be obtained from the agenda in front of you.

The possibility of buying back shares using derivatives, i.e. via options transactions, previously included in the authorisation has now been allocated to a separate **agenda item 6**, under which we have extended the acquisition scope somewhat in order to provide for greater flexibility. The Board of Management intends to make use of the possibility of acquisition using derivatives only as a supplement to conventional share buy-backs. The authorisation in this case is limited to 2% of the share capital. We do not intend to employ derivatives for trading in own shares, and will only make use of them if they are advantageous for structuring a share buy-back.

Under **agenda item 7**, we ask you to approve an amendment to the Articles of Association that is required by a new law. To enable us to continue sending our shareholders the AGM documents electronically on request, thus saving paper and helping the environment, we now additionally require the consent of the AGM for this procedure. We want to formally incorporate this arrangement into the Articles of Association, and also want to avoid any duplication where such publications are concerned.

Dr. Schinzler has already provided you with the necessary explanations regarding **agenda item 8**, under which the Articles of Association are to be amended regarding the chairing of the meeting.

Finally, under **agenda item 9**, we ask for your approval of a domination and profit-transfer agreement with our subsidiary DKV International Health Holding AG. The agreement is designed to ensure common control of the company, which operates in the business field of international health, and its integration into the Munich Re Group. At the same time, Munich Re assumes any profits earned by the company and compensates any losses. This is the precondition for "fiscal unity" in connection with corporate and trade tax. You can view all the documents relating to the agreement on the internet and here in the hall.

I would ask you to approve the motions for these agenda items.

Ladies and gentlemen, I come to the conclusion of my report to this year's AGM. It will not surprise you that, in view of the excellent results, I have found my speech considerably easier to make this year than three years ago. As you have heard, we aim not only to stabilise Munich Re's profit but to constantly increase it through intelligent growth. That will not only enable us to pay an appropriate dividend and to continue our active capital management, but will also be reflected in the price of your Munich Re shares. I say this to you on behalf of all employees of the Munich Re Group, without whose hard work and commitment the 2006 annual result would not have been possible and whom I would therefore like to thank most sincerely on this occasion.

I now look forward to your questions and contributions to the discussion.

Thank you very much.

(Check against delivery)

Goals achieved: We are highly profitable.



Plans announced at 2004 Annual General Meeting

Consistently ...

- ✓ maintaining and expanding profitability in reinsurance
- ✓ making ERGO profitable
- ✓ introducing integrated risk management

... moving towards a profitable future

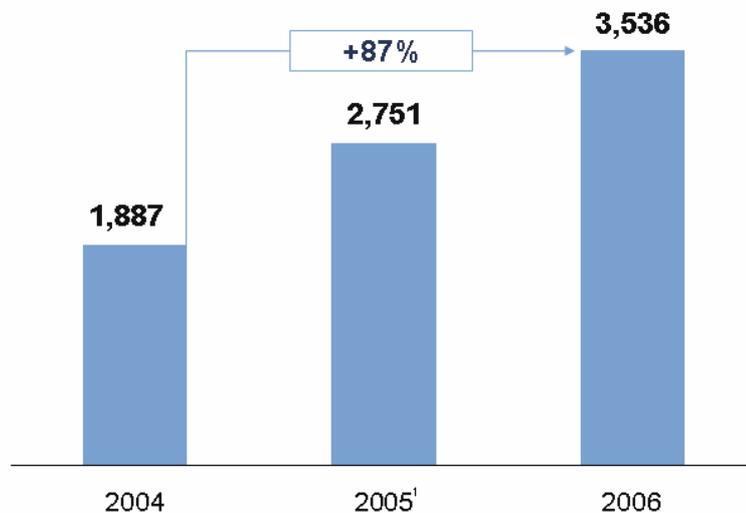
1

Third record result in a row



Consolidated result

€m



¹ Adjusted owing to first-time application of IAS 19 (rev. 2004).

2

Significantly better than expected



2006 profit

€bn



Expectation clearly surpassed

RORAC

%



Target clearly surpassed

Result before impairment losses of goodwill

€bn



Convincing quality

Group premium development

€m



Slight decrease

Investment result

€m



Another strong result

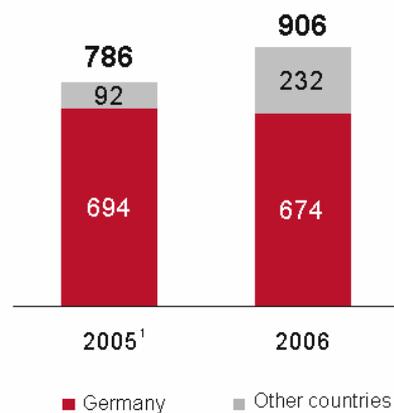
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Primary insurance – Strategy pays off: High ERGO profit



Consolidated result in primary insurance

€m



Combined ratio 2005/2006

%



¹ Adjusted owing to first-time application of IAS 19 (rev. 2004).

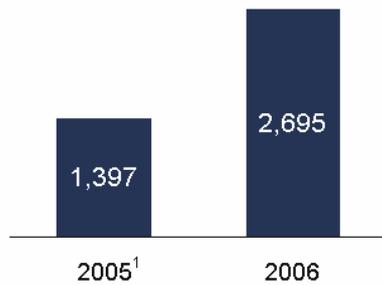
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Outstanding result in reinsurance



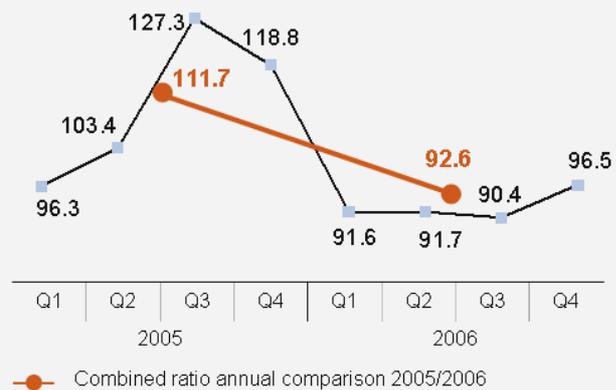
Consolidated result in reinsurance

€m



Combined ratio 2005/2006

%



¹ Adjusted owing to first-time application of IAS 19 (rev. 2004).

Summary and expectations

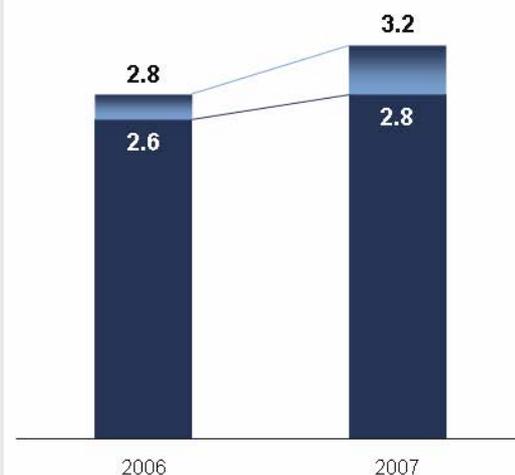


Summary

- Excellent operating results in 2006
- Further dividend increase; share buy-back of €1bn concluded

Consolidated result forecast

€bn



Objective: Number 1 reinsurer in terms of profit



7

Intelligent growth through ...



- ... new business models, e.g. International Health
- ... exploiting changes in market conditions, e.g. US agricultural insurance
- ... tapping new markets, e.g. legal expenses insurance in eastern Europe
- ... new products, e.g. bond insurance for recycling costs, productivity risk insurance
- ... new types of income, as in service fees or arbitrage earnings from risk trading

8

Comments on the agenda



- Item 2: Resolution on the appropriation of the net retained profits from the financial year 2006
- Item 5: Authorisation to buy back and use own shares
- Item 6: Possibility to buy back shares using derivatives
- Item 7: Amendment to the Articles of Association
- Item 9: Approval of domination and profit-transfer agreement