Münchener Rückversicherungs-Gesellschaft

Aktiengesellschaft in München

Münchener Rück
Munich Re Group

for the Press

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- **Targets far exceeded: RORAC of 20.2% and earnings per share of €17.90**
- **Profit for the year of €3.9bn: Fourth record result in succession (including €0.4bn from one-off tax effect)**
- **Primary insurance: Another high profit of €984m**
- **Reinsurance: Substantially increased profit of €3.3bn**
- **CEO von Bomhard: "Changing Gear generates a consistently high return for shareholders."**
- **Continued ambitious goals: Sustained RORAC of 15%**
- **Profit range of €3.0–3.4bn aimed at for 2008**

The Munich Re Group achieved a profit of €3.9bn in the financial year 2007, thus even surpassing its increased profit guidance of €3.5–3.8bn announced in August. With a return of 20.2% on risk-adjusted capital, it also markedly exceeded its long-term target of 15%.

"We are well above our target with a RORAC of over 20%, and are reporting a record result for the fourth time in a row," said Chairman of the Board of Management, Nikolaus von Bomhard, when presenting the preliminary figures. "We have reaped the rewards of our rigorous approach in integrated risk management and our healthy scepticism towards what are often poorly rewarded credit risks."

Changing Gear generates a consistently high return for the Group's shareholders. "With this programme, we are seizing the opportunities for profitable growth in both insurance and reinsurance." The first fruits were evident in the initial year of its implementation, which featured not only the growth initiatives launched but also a stronger focus on the structures in operative business. "We are significantly restructuring our operations so that we can provide clients with our unique risk competence in the customary quality even more swiftly and efficiently", said von Bomhard.

The Munich Re Group's 2007 business figures (preliminary)
The Munich Re Group increased its consolidated result for the fourth year running, improving it to €3.9bn for 2007, or by 11.9% compared with the previous year. This outstanding result from underwriting business and asset management benefited from high gains on disposals of real estate and shares. There was also another positive effect of €385m (356m) from a change in German tax law. The Group's operating result decreased to €5.1bn (5.5bn) owing to the significant rise in natural catastrophe losses compared with the previous year. The combined ratios nevertheless remained at a very good level, namely 96.4% (92.6%) in reinsurance and 93.4% (90.8%) in primary insurance.

Von Bomhard: "The excellent result will be reflected in the payout for our shareholders. Our shares are among the strongest in the DAX in terms of dividend yield." On the basis of the record profit for the year and subject to the consent of the Supervisory Board, the Board of Management will propose to the Annual General Meeting that the Company pay an increased dividend of €5.50 (4.50) per share, and thus distribute a total amount of €1.1bn to shareholders.

As announced with the Changing Gear programme, Munich Re has further improved its capital structure by buying back shares. The share buy-back of €2bn decided on by the Board of Management in May 2007 has already been completed, with the last shares repurchased in January. Despite this return of capital and the dividend payment, Group equity had only fallen to €25.5bn at the end of 2007 (31.12.2006: €26.3bn). The Group's financing structure was further improved by issuing a subordinated bond of €1.5bn. More shares with a volume of at least €3bn are to be repurchased by the end of 2010.

Von Bomhard on the Group's capital management: "The share buy-backs are another plus for our shareholders. And this needs-oriented fine-tuning of our capital ensures that all our business units maintain discipline. At the same time, we must bear in mind that our great financial strength is the foundation for our ability to grow profitably. Our clients appreciate more than ever today that they can rely on Munich Re's solidity."

Written premiums fell slightly to €37.3bn (37.4bn) in the year under review, mainly due to changes in exchange rates. If currency relationships had remained stable, premium revenue would have risen by 2.1%.

European Embedded Value as at 31 December 2007
Together with its preliminary figures for IFRS accounting, the Munich Re Group has published European Embedded Value (EEV) figures for its business in life and health primary insurance and in life reinsurance. The marked increase in the Munich Re Group's European Embedded Value to €12.1bn (EEV at 31.12.2006: €10.1bn) is largely due to a good result from in-force business and the high value of new business, totalling €441m (353m).

Primary insurance: ERGO exceeds target with another high profit of €984m
The 2007 operating result of the primary insurers in the Munich Re Group amounted to €1.3bn (1.3bn). Primary insurance contributed €1.0bn to the Group result, thereby exceeding August's increased profit guidance of €900m.

The combined ratio in property-casualty and legal expenses insurance was 93.4% (90.8%), and the consolidated result for the year in this segment came to €0.6bn (0.7bn).

In life and health primary insurance, the consolidated profit amounted to €358m (319m). European Embedded Value grew by 30.1% to €5.4bn, and EEV earnings amounted to 29.0% (50.5%) of the opening embedded value, with the value of new business rising by 31.2% to €164m (125m).

Gross premiums written by the primary insurers were up 3.2% year on year to €17.3bn, the main growth drivers being the health segment and international business, which increased by 14.6% to €4.0bn. The full integration of the Turkish company ERGO İsviçre, acquired in 2006, had a positive effect here with premium volume of €280m, whilst ERGO's Polish and Baltic companies also contributed substantially to premium growth.

The ERGO Insurance Group, which writes about 95% of the gross premiums in Munich Re's primary insurance segment, posted a profit of €781m (889m), which included a one-off tax effect of €118m (202m).

Reinsurance: Profit rises by 23.0% to an outstanding €3.3bn
Through successful underwriting and asset management, but also due to one-off tax effects, Munich Re achieved an excellent result in reinsurance in 2007. The operating result amounted to €4.2bn (4.4bn). Reinsurance contributed €3.3bn to the Group profit, surpassing the increased profit guidance of €3.0–3.2bn announced in August.

In property-casualty reinsurance, Munich Re recorded large losses from natural catastrophes such as Winter Storm Kyrill (€390m), the Queen's Birthday Storm in Australia (€60m), and the floods in the UK (totalling around €60m). However, at 5.0 percentage points of net earned premiums, the overall cost burden from natural catastrophes was at the level budgeted for. Although the combined ratio consequently rose by 3.8 percentage points compared with the previous year, it was – at 96.4% – still within the target of 97%, providing renewed proof of the Group's business quality achieved through strict profit focus. The consolidated result for the year in this segment amounted to €2.6bn (2.1bn).

In life and health reinsurance, the consolidated profit showed a marked increase of 29.2% to €725m. European Embedded Value for the life reinsurance business portfolio grew by 11.7% to €6.7bn. EEV earnings amounted to 14.4% (9.8%) of the opening embedded value. The value of new business thus rose by 21.5% to €277m (228m).

Gross premiums written in reinsurance business fell by 3.1% to €21.5bn (22.2bn) owing to the strong euro. If exchange rates had remained the same, premium volume would have increased by 1.5%. In the life segment, several large treaty accounts with weak margins were reduced, causing the premium volume to decline.

Investments: Result further improved
The Munich Re Group's investments totalled €176.2bn (176.9bn) at the end of 2007. The investment result rose to €9.3bn (9.0bn). At 5.2% (5.0%), the return on investment exceeded the 4.5% return expected on average. As in the previous year, the balance of €1.8bn (1.7bn) from gains and losses on disposals and from write-ups and write-downs contributed 1.0 percentage points to the good result.

The Group's equities portfolio and real estate portfolio were further reduced and diversified. The sale of a large parcel of German real estate alone produced €630m in gains on disposals, with a positive impact of around €180m on the result (after policyholder participation and tax). The proportion of investments in equities, including hedging instruments, fell to 10.8% (14.1%) of the Group's total investments at market values. In the US subprime market, the Group is only marginally exposed with €340m, representing less than 0.2% of its total investments. Revaluation of such financial instruments led to write-downs and losses on disposal totalling €166m in the past year. The portfolio of fixed-interest investments, amounting to around €135bn, also reflects the Group's conservative investment policy. It mainly comprises government bonds and other investments with good security (details were published on 30 January 2008). Von Bomhard: "Munich Re's stringent risk management has proved its worth in this crisis. Compared with other financial stocks, Munich Re shares have therefore done better on the capital markets."

MEAG MUNICH ERGO AssetManagement GmbH is the asset manager of Munich Re and the ERGO Insurance Group. As at 31 December 2007, it had Group investments and segregated and retail funds of €181.1bn (183.6bn) under management.

Prospects for 2008: RORAC target of 15% retained / Profit for the year of €3.0–3.4bn expected
Munich Re steers its business on the basis of long-term performance targets: it aims to earn at least a 15% return on risk-adjusted capital and, as published with the Changing Gear programme, to increase earnings per share to €18 by 2010, excluding any one-off effects. For purposes of comparison: in 2007 the effects of fiscal changes in Germany and sales of real estate contributed €2.64 to the earnings per share of €17.90.

For 2008, a consolidated result in the range of €3.0–3.4bn is expected, which is €200m more than the figure aimed at for 2007, despite the greatly increased volatility on the capital markets. The upper limit of this range is a good €500m below the record profit of 2007: the difference roughly corresponds to the above-mentioned one-off income and takes account of the volatile market foreseeable for investors.

Based on unchanged exchange rates, Munich Re projects that overall Group premium income will remain stable at between €37.5bn and €38.5bn. Before consolidation, it expects the reinsurance segment to provide €21.5–22.5bn of this, and primary insurance €17.5–18bn. Owing to moderate price erosion, Munich Re reckons with a combined ratio for reinsurance in the order of 98% in 2008 (including 6.5 percentage points for natural catastrophes) given normal claims experience. Across the market cycle, it aims to achieve an average ratio of 97%. In primary insurance, the combined-ratio target for 2008 is again under 95%.

“With our very solid position, we have again set ourselves a high profit target, even though a more difficult environment is to be expected in the insurance and capital markets this year”, said von Bomhard when the figures were published.

The initiatives launched by Munich Re in its Changing Gear programme will support the Group in seizing growth opportunities in the expanding global market for risks.

In reinsurance, this approach is already starting to bear fruit. For example, in the latest renewals in January, Munich Re wrote additional profitable business with a premium volume of around €200m through its existing or newly acquired managing general agencies such as the Bell & Clements Group. In the area of special enterprise risks, it expects specialised products to earn more than €100m in very profitable premium income by 2010, largely independent of market developments in traditional reinsurance business.

ERGO has also undertaken an ambitious corporate development programme to establish itself among the top group of European primary insurers and to play its part in achieving the Group’s financial goals. Backed by the Munich Re’s worldwide organisation, it will systematically expand its international business, whose share is to increase to a third by 2012. Besides this, ERGO’s sales cooperation with UniCredit will be launched in several southern and eastern European markets in 2008. ERGO will also be expanding its business step by step in Asia, with the main focus on South Korea, India and China. At the same time, it has set its sights on strengthening its profitable growth in Germany.

“With Changing Gear, we have clearly formulated the direction in which we want to go: we intend to be among the top players in primary insurance and reinsurance, to grow profitably and to deploy our capital efficiently. We will achieve our goals by resolutely pursuing our strategy geared to sustained profitability and, as a risk carrier, by exploiting the opportunities that the global risk market presents”, concluded von Bomhard.

The **Munich Re Group** operates worldwide, turning risk into value. In the financial year 2007, it achieved a profit of €3,937m, the highest since the company was founded in 1880, on premium income of approximately €37bn. The Group operates in all lines of business, with around 38,600 employees at over 50 locations throughout the world and is characterised by particularly pronounced diversification, client focus and earnings stability. With premium income of around €21.5bn from reinsurance alone, it is one of the world's leading reinsurers. Its primary insurance operations are mainly concentrated in the ERGO Insurance Group. With premium income of over €17bn, ERGO is one of the largest insurance groups in Europe and Germany. It is the market leader in Europe in health and legal expenses insurance, and 34 million clients in 26 countries place their trust in the services and security it provides. The global investments of the Munich Re Group amounting to €176bn are managed by MEAG, which also makes its competence available to private and institutional investors outside the Group.

Note for editorial departments:
In case of enquiries, please contact
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The presentation for today's media conference (9.30 a.m.) can be viewed in German and English at www.munichre.com. The conference will be transmitted in full on the internet at www.munichre.com/bilanz-pk.

Munich Re's annual report will be published on 11 March. The Company's Annual General Meeting will take place on 17 April 2008.

Munich, 25 February 2008
Münchener Rückversicherungs-Gesellschaft
signed Dr. von Bomhard signed Dr. Lawrence

for the press

Münchener Rück
Munich Re Group

Key figures (IFRS) for the financial year 2007

(preliminary figures – in €m unless otherwise indicated)

At a glance:

- Preliminary figures for 2007: Record profit of over €3.9bn (+11.9%)
- Reinsurance: Profit of €3.3bn – an increase of 23%
- Primary insurance: ERGO exceeds profit target with €781m
- Dividend to be significantly increased again – to €5.50 (€4.50) per share / Total payout would then equal €1.1bn
- Target: RORAC of at least 15%, with profit of €3.0–3.4bn aimed at
- CEO von Bomhard: "Changing Gear will generate a consistently high return for shareholders."

MUNICH RE GROUP	**2007**	2006*	Change absolute	Change %
Gross premiums written	**37,262**	37,436	–174	–0.5
Net earned premiums	**35,675**	35,714	–39	–0.1
Investment result	**9,272**	8,972	300	3.3
Thereof realised gains	5,671	3,849	1,822	47.3
realised losses	2,868	1,290	1,578	122.3
Net expenses for claims and benefits	**30,474**	29,780	694	2.3
Operating result (before finance costs and taxes on income)	**5,078**	5,477	–399	–7.3
Finance costs	**333**	310	23	7.4
Taxes on income	**808**	1,648	–840	–51.0
Consolidated profit	**3,937**	3,519	418	11.9
Thereof attributable to Munich Re equity holders	**3,854**	3,425	429	12.5
to minority interests	**83**	94	–11	–11.7
	31.12.2007	31.12.2006*		
Investments	**176,154**	176,872	–718	–0.4
Equity	**25,458**	26,320	–862	–3.3
Staff	**38,634**	37,210	1,424	3.8

REINSURANCE**	**2007**	2006	Change absolute	Change %
Gross premiums written	**21,523**	22,216	–693	–3.1
Thereof Life and health	**7,299**	7,665	–366	–4.8
Property-casualty	**14,224**	14,551	–327	–2.2
Combined ratio in % Property-casualty	**96.4**	92.6	3.8	
Thereof natural catastrophes	**5.0**	1.3	3.7	
Operating result	**4,159**	4,408	–249	–5.6
Result	**3,314**	2,695	619	23.0

PRIMARY INSURANCE**	**2007**	2006*	Change absolute	Change %
Gross premiums written	**17,286**	16,753	533	3.2
Thereof Life and health	**11,647**	11,606	41	0.4
Property-casualty	**5,639**	5,147	492	9.6
Combined ratio in % for property-casualty, including legal expenses insurance	**93.4**	90.8	2.6	
Operating result	**1,253**	1,261	–8	–0.6
Result	**984**	1,045	–61	–5.8

SHARES	**2007**	2006*	Change absolute	Change %
Earnings per share in €	**17.90**	**15.05**	2.85	18.9
Dividend per share in €	**5.50*****	**4.50**	1.00	22.2

* Adjusted pursuant to IAS 8.
** Before elimination of intra-Group transactions across segments.
*** Proposal for the Annual General Meeting on 17 April 2008.

Key figures (IFRS) for the fourth quarter 2007

(preliminary figures – in €m unless otherwise indicated)

MUNICH RE GROUP	2007	2006*	Change absolute	Change %
Gross premiums written	**9,186**	9,356	–170	–1.8
Net earned premiums	**9,252**	9,213	39	0.4
Investment result	**1,636**	1,912	–276	–14.4
Thereof realised gains	1,486	633	853	134.8
realised losses	1,262	295	967	327.8
Net expenses for claims and benefits	**7,203**	7,519	–316	–4.2
Operating result (before finance costs and taxes on income)	**1,098**	850	248	29.2
Finance costs	**95**	72	23	31.9
Taxes on income	**414**	109	305	279.8
Consolidated profit	**589**	669	–80	–12.0
Thereof attributable to Munich Re equity holders	**560**	636	–76	–11.9
to minority interests	**29**	33	–4	–12.1

REINSURANCE**	2007	2006	Change absolute	Change %
Gross premiums written	**5,054**	5,379	–325	–6.0
Thereof Life and health	**1,775**	1,821	–46	–2.5
Property-casualty	**3,279**	3,558	–279	–7.8
Combined ratio in %				
Property-casualty	**91.7**	96.5	–4.8	
Thereof natural catastrophes	**–1.8**	2.6	–4.4	
Operating result	**944**	714	230	32.2
Result	**535**	334	201	60.2

PRIMARY INSURANCE**	2007	2006*	Change absolute	Change %
Gross premiums written	**4,466**	4,364	102	2.3
Thereof Life and health	**3,256**	3,157	99	3.1
Property-casualty	**1,210**	1,207	3	0.2
Combined ratio in % for property-casualty, including legal expenses insurance	**94.7**	90.2	4.5	
Operating result	**330**	275	55	20.0
Result	**232**	483	–251	–52.0

* Adjusted pursuant to IAS 8.
** Before elimination of intra-Group transactions across segments.