Münchener Rück
Munich Re Group

for the press

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- **Munich Re: Satisfactory first quarter in difficult environment**
- **Solid quarterly profit of €785m, despite substantial major losses and volatile capital markets**
- **Operating result of €1.2bn pleasingly robust**
- **CFO Jörg Schneider confirms expected profit range of €3.0–3.4bn for 2008, in spite of reduced premium volume in reinsurance**

In the first three months of the year, the Munich Re Group recorded a profit of €785m (974m). Notwithstanding considerable claims costs for a series of major losses, CFO Jörg Schneider affirmed: “We are adhering to our most important target for 2008: to achieve a return on risk-adjusted capital of at least 15%, which means a profit of €3.0–3.4bn.”

The Changing Gear programme is going well: “Changing Gear is taking effect”, said Schneider. “With our active cycle management, innovative business initiatives and attractive payouts, we are right on track.” Munich Re’s objective is to generate a profit of more than €250m from new reinsurance activities by 2010 and to raise earnings per share to over €18, excluding any positive one-off effects. The share buy-back programme will be continued. Further shares with a volume of at least €1bn are to be repurchased – as announced – before the Annual General Meeting in 2009. In primary insurance, ERGO is systematically driving international business expansion forward, the most recent example cited by Schneider being ERGO’s joint venture with the HERO Group for life primary insurance business in the emerging market of India.

As in the preceding years, Munich Re has again published the necessary level of risk capital for the Group together with the figures for the first quarter. The risk capital for the Group as a whole, determined using an internal risk model, was €16.5bn (18.4bn) as at 31 December 2007. In this context, Schneider stressed the benefits of the Group’s integrated business model of primary insurance and reinsurance: “In addition to the value and cost synergies we leverage, we are also saving significant capital costs by balancing risks across the two business segments.” In total, the Group’s risk-based capital requirements are nearly €2bn lower than if primary insurance and reinsurance were transacted by separate companies.

Summary of the Munich Re Group’s figures for the first quarter
In the first three months, the Munich Re Group recorded a profit of €785m (974m). Its operating result decreased by 12.3% to €1.2bn (1.3bn). However, in the current financial year, there were no major sales of shares or large special gains, such as those achieved on the sale of real estate in 2007. Against the background of sharply falling share prices, the

investment result experienced a 46.6% year-on-year decrease to €1.7bn (3.2bn), with equity capital declining to €23.8bn since the beginning of the year (31.12.2007: €25.5bn).

Owing to negative currency exchange effects due to the lower value of the US dollar, gross premiums written reduced to €9.8bn. At unchanged exchange rates, premium volume would have increased by 1.9% in the first three months.

Primary insurance: Combined ratio improved to 89.0%
The Munich Re Group's primary insurers again posted good results in the first quarter of 2008: the operating result totalled €246m (316m) (–22.2%) and the consolidated result after tax was a satisfactory €163m (250m) (–34.8%). From an underwriting perspective, the first quarter of 2008 again performed very well, the combined ratio in the property-casualty segment improved significantly to 89.0% (102.1%).

The bottom-line decrease against the first quarter last year was chiefly attributable to the investment result. Whilst in the previous year gains of €1.1bn had been achieved from the sale of a major real estate package and equities, the period under review was adversely affected by the turmoil on the capital markets. Price losses on the stock markets required write-downs of equity investments totalling €587m, which were partly offset by gains of €468m from derivatives acquired for hedging purposes.

The ERGO Insurance Group, which writes more than 93% of the gross premiums in Munich Re's primary insurance segment, recorded a profit of €151m (250m) in the first three months of 2008; in the first quarter of 2007, by contrast, distinctly better capital market conditions had resulted in high earnings on the disposal of investments.

Gross premiums written in the Munich Re Group's primary insurance business advanced to €4.80bn (4.76bn). In property-casualty insurance (including legal expenses insurance), premium climbed by 2.3% to €1.95bn (1.90bn). In the life and health segment, total premium income rose to €3.1bn (3.0bn), gross premiums written amounting to €2.9bn (2.9bn). Not included in the latter figure are the savings premiums of unit-linked life insurance and capitalisation products such as "Riester" pensions in Germany – product lines which are playing an ever more important role. German new business accounted for double-digit year-on-year growth as expected, the key factor behind the increase being the fourth Riester subsidisation stage, which commenced at the beginning of the year. If it had not been for this factor, new business would have declined by 12.6%, mainly because the sales process has become more complicated due to a reform of the German insurance contract law.

With reference to the joint venture recently set up between ERGO and the HERO Group, Torsten Oletzky, Chairman of ERGO's Board of Management, emphasised that "India plays a key role in our international expansion strategy. I am very pleased that in HERO we have found a highly attractive partner for the Indian life insurance market. The joint venture will allow us to strengthen our position in the Indian primary insurance market, where we are now represented in the segments of life, health and property-casualty business. The Indian life insurance market is one of the most exciting insurance markets in the world."

Reinsurance: Favourable result of €586m
Despite the burden from major losses, reinsurance business performed satisfactorily overall in the first quarter of 2008. Although the operating result fell by 18.6% to €0.9bn (1.1bn), reinsurance still contributed €586m (798m) to the Group's overall profit.

The quarter was characterised by a random cluster of major losses. The severest events were floods in two coal mines in Queensland, Australia, in January and February, for which Munich Re expects its claims costs to amount to nearly €100m before tax in each case. Although the impact from European winter storm Emma was significantly lower than last year's Kyrill, it nevertheless resulted in high losses of €75m. The total burden from major losses was €578m (538m). Board member Torsten Jeworrek: "Major losses are part of our business, that is why loss patterns such as the one in the first quarter do not alarm us." The combined ratio amounted to 103.8% (101.8%), of which 10.7 (12.2) percentage points were attributable to natural catastrophes.

Compared with the same period last year, premium income showed a slight reduction of 5.6% to €5.5bn (5.8bn), but this was chiefly due to changes in exchange rates – without these currency translation effects, it would have risen by 0.9%. The life/health segment accounted for €1.7bn (1.8bn), and property-casualty for €3.8bn (4.0bn).

In Munich Re's renewals of treaty business in property-casualty reinsurance in the USA, India, Japan and Korea at 1 April, price development varied considerably between markets and classes of business. Jeworrek: "All in all, the renewals proved successful. An aggregated look at the April renewals reveals that the trend towards pressure on prices is continuing. We steer our business with a view to ensuring risk-adequate prices for our portfolio. This increasingly requires active cycle management in the form of shifts within the portfolio." Owing to its stake in Korean primary insurer DAUM Direct, the Group was in a position to participate more strongly in Korean motor business. And in the US market, Munich Re recorded its first successes with the realignment of its US strategy and grew profitably in niche segments.

For the forthcoming renewals at 1 July in further parts of the US portfolio, Australia and the Latin American markets, Munich Re intends to pursue its approach of consistent profit orientation: "Risk-commensurate prices and conditions are still essential. It is the only way we can provide the high amount of capacity needed to cover major individual risks and catastrophe losses", Jeworrek noted.

Investments: Holding up well, despite impairments / Investment result of €1.7bn in difficult markets
In the first quarter of 2008, the capital markets were marked by a significant aggravation of the credit crisis and price falls on the stock exchanges. Against this background, the Munich Re Group's well-balanced investment portfolio, which is managed by MEAG, held up well. Compared with year-end 2007, the value of the Group's investments as at 31 March 2008 receded by only 3.4% to approximately €170.2bn (176.2bn) – mainly due to currency translation and stock market trends. In comparison with the outstanding result of the first quarter of 2007 (€3.2bn), the investment result sank by 46.6% to €1.7bn, equivalent to a return of 3.9% based on the average market value of the portfolio. This decline was attributable to a lower balance from gains and losses on disposals and from write-ups and write-downs: despite the turmoil on the markets, this balance was still positive at €0.2bn, but

was €1.2bn lower than in the previous year. Whilst Munich Re had realised large gains on the sale of property and equities in the same period last year, in the first three months of this year the equity portfolio in particular put pressure on the result. This was to some extent alleviated by the Group having already significantly reduced its equity exposure by selling equities and purchasing derivative hedging instruments in previous years and prior to the sharp fall in share prices in the fourth week of January. As at 31 March 2008, the equity-backing ratio had thus decreased to 7.2% (31 December 2007: 10.8%) of the Group’s total investments at market values including hedging instruments. Only €5m of write-downs were necessary on its small portfolio (€280m) of investments exposed to the US subprime mortgage market.

The remainder of Munich Re’s investment portfolio predominantly comprises government bonds and other comparably low-risk fixed-interest financial instruments. Owing to the considerably increased credit risk spreads and with a view to earning higher returns, the Group intends to slightly expand what has, until now, been a relatively small portfolio of corporate bonds and structured credit products, accounting for approximately 8.5% of its investments. CFO Schneider emphasised: “We are taking very careful steps in this direction and are maintaining our established policy of scepticism where excessively complex financial instruments are concerned.”

MEAG MUNICH ERGO AssetManagement GmbH is the asset manager of Munich Re and the ERGO Insurance Group. In addition to Group investments, as at 31 March 2008 MEAG had segregated and retail funds totalling €8.6bn (9.2bn) under management.

Prospects for 2008: RORAC target of 15% unchanged / Profit for the year of €3.0–3.4bn expected / Slight decline in reinsurance premium income
The Munich Re Group aims to achieve a return of at least 15% on risk-adjusted capital (RORAC) again in 2008. In the light of the first quarter, CFO Schneider affirmed: “Despite the greatly increased volatility on the capital markets and the growing pressure on prices in reinsurance, we aim to achieve a profit of €3.0–3.4bn in 2008.” This range is €200m higher than the original forecast for 2007 published a year ago; the actual result for the year was €3.9bn due to very high investment income and one-off effects from changes in tax legislation.

In the reinsurance segment, however, Munich Re anticipates a marginal fall in gross premium income to €20–21bn (before consolidation; 2007: €21.5bn), which is €1.5bn less than initially expected. The main reasons for this are the unfavourable exchange rate developments and also the softening trend on the reinsurance markets. Gross premium income of €17.5–18bn (before consolidation; 2007: €17.3bn) is forecast in primary insurance, with a consolidated figure for the whole Munich Re Group of €36.0–37.5bn (€37.3bn).

The Group is targeting a combined ratio for reinsurance of 98% (6.5 percentage points of which are budgeted for natural hazards). After the high random major losses in the first quarter, this objective can only be attained if claims costs from such events remain below expectations during the rest of the year. In primary insurance, the combined-ratio target for 2008 is again under 95%. A sustained 4.5% return on investments is aimed at – based on their average market values. Whether and to what extent this figure can be achieved or even surpassed in 2008 will depend upon the further development of the capital markets over the course of the year.

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 more than 38,000 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.

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The quarterly report 1/2008 and the presentation for today's media telephone conference can be viewed in German and English at www.munichre.com.

Munich, 8 May 2008
Münchener Rückversicherungs-Gesellschaft
signed Dr. Schneider   signed Dr. Lawrence

for the press

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Munich Re Group

Key figures (IFRS) for the first quarter 2008

(in €m unless otherwise indicated)

At a glance:

- Satisfactory first quarter in primary insurance and reinsurance
- Target: RORAC of at least 15%, with profit of €3.0–3.4bn aimed at
- CFO Schneider: "Solid quarterly profit despite substantial major losses and volatile capital markets."

MUNICH RE GROUP	**1st quarter 2008**	1st quarter 2007*	Change absolute	Change %
Gross premiums written	**9,844**	10,020	–176	–1.8
Net earned premiums	**8,547**	8,794	–247	–2.8
Investment result	**1,687**	3,161	–1,474	–46.6
Thereof realised gains	**1,592**	2,039	–447	–21.9
realised losses	**850**	348	502	144.3
Net expenses for claims and benefits	**6,935**	8,421	–1,486	–17.6
Operating result (before finance costs and taxes on income)	**1,151**	1,313	–162	–12.3
Finance costs	**86**	70	16	22.9
Taxes on income	**280**	269	11	4.1
Consolidated result	**785**	974	–189	–19.4
Thereof attributable				
to Munich Re equity holders	**775**	958	–183	–19.1
to minority interests	**10**	16	–6	–37.5
	31.3.2008	31.12.2007		
Investments	**170,159**	176,154	–5,995	–3.4
Shareholders' equity	**23,757**	25,458	–1,701	–6.7
Employees	**39,279**	38,634	645	1.7

REINSURANCE**	**1st quarter 2008**	1st quarter 2007	Change absolute	Change %
Gross premiums written	**5,492**	5,820	–328	–5.6
Thereof life and health	**1,678**	1,791	–113	–6.3
property-casualty	**3,814**	4,029	–215	–5.3
Combined ratio (%)				
Property-casualty	**103.8**	101.8	2.0	
Thereof natural catastrophes	**10.7**	12.2	–1.5	
Operating result	**862**	1,059	–197	–18.6
Result	**586**	798	–212	–26.6

PRIMARY INSURANCE**	**1st quarter 2008**	1st quarter 2007*	Change absolute	Change %
Gross premiums written	**4,803**	4,758	45	0.9
Thereof life and health	**2,857**	2,855	2	0.1
property-casualty	**1,946**	1,903	43	2.3
Combined ratio (%) property-casualty, including legal expenses insurance	**89.0**	102.1	–13.1	
Operating result	**246**	316	–70	–22.2
Result	**163**	250	–87	–34.8

SHARE	**1st quarter 2008**	1st quarter 2007*	Change	
Earnings per share (€)	**3.79**	4.32	–0.53	–12.3

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