

Munich Re Group

Quarterly financial statements as at 30.6.2008

Changing Gear

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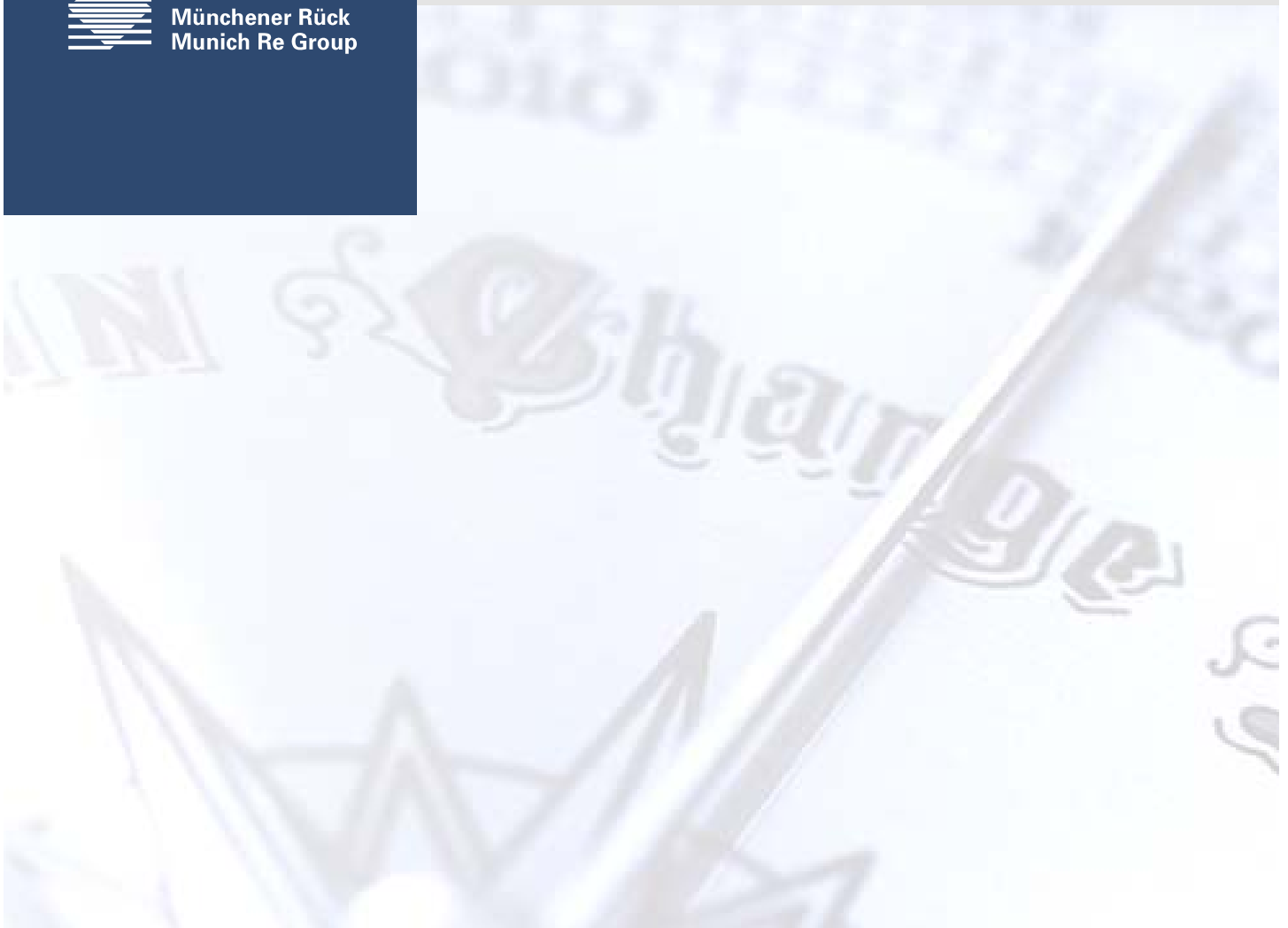
Torsten Jeworrek

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6 August 2008



Münchener Rück
Munich Re Group



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Overview	
Financial reporting Q1–2 2008	
Munich Re Group in total	
Reinsurance segment	
Primary insurance segment	
Strategy in reinsurance	
Renewals at 1 July	
Changing Gear – Initiatives for profitable growth	
ERGO – Agenda 2012	
Product initiatives	
Efficiency programme	
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Overview

Munich Re Group

Geared to the future with Changing Gear



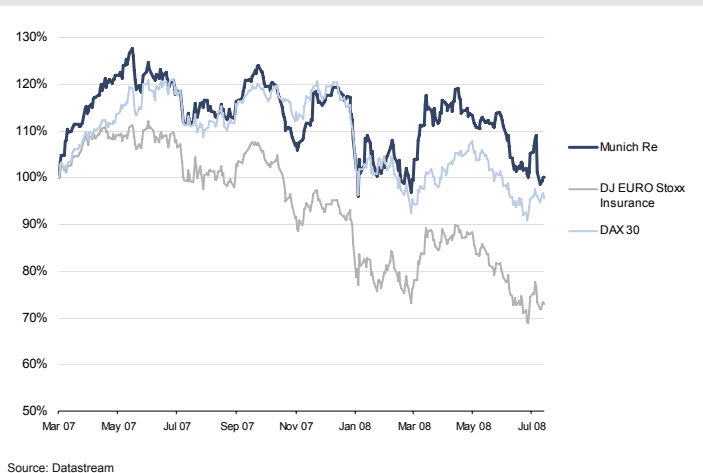
- Profit of €1.4bn in first half-year**
Satisfactory result in the light of the capital market upheavals
- Sector trends were identified at an early stage**
Integrated business model and active risk management are strengths
- Implementation of Changing Gear is making good headway**
Growth initiatives are on track
- Emphasis on cycle management**
Client focus, risk expertise and exploitation of niches pay off
- ERGO defines efficiency goals in more detail**
Good non-life business and new products for private provision offer prospects

Munich Re Group – Quarterly financial statements as at 30.6.2008 – 06 August 2008

Overview

Munich Re and the stock markets

Share price since the launch of Changing Gear



- Share price performances reflect the subprime crisis and its indirect impact on the capital markets
- Munich Re shares have performed very well compared with peers since the launch of Changing Gear

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Proof of confidence in Changing Gear programme

Agenda



Overview

Financial reporting Q1–2 2008

- Munich Re Group in total**
- Reinsurance segment**
- Primary insurance segment**

Strategy in reinsurance

- Renewals at 1 July
- Changing Gear – Initiatives for profitable growth

ERGO – Agenda 2012

- Product initiatives
- Efficiency programme

Summary and outlook

Financial reporting Q1–2 2008 – Munich Re Group in total



General conditions on the financial markets

Market environment even more challenging in Q2

DJ EuroStoxx 50 – Price Index



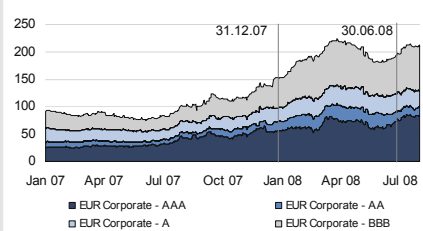
DJ Euro Stoxx Insurance Index



Risk-free interest rate (yield on 10-yr. gov. bonds)



Spreads (corporate spreads vs. government bonds in BP)



Satisfactory result impacted by capital markets

GROUP Gross premiums written		REINSURANCE Combined ratio property-casualty		PRIMARY INSURANCE Combined ratio property-casualty ¹	
€m		%		%	
Q1-2 2007	18,928	Q1-2 2007	98.4	Q1-2 2007	93.3
Q1-2 2008	18,857	Q1-2 2008	99.6	Q1-2 2008	91.0
FX-driven decline in reinsurance offset by growth from acquisitions		Favourable combined ratio of 95.4% in Q2		Clearly below target of 95%	

GROUP Investment result		GROUP Operating result		GROUP Consolidated result	
€m		€m		€m	
Q1-2 2007	5,646	Q1-2 2007	2,848	Q1-2 2007	2,132
Q1-2 2008	3,263	Q1-2 2008	2,174	Q1-2 2008	1,406
Significant impairments of equities and lower realised gains		Satisfactory underwriting result		Reduction owing to declining investment result	

¹ Incl. legal expenses.

Restraint with regard to disposals

- High non-cash related impairments of €2.2bn on stocks due to negative market developments, thereof:
- Impairments partly compensated by write-ups of derivatives totaling €1.2bn
- Low impairments of fixed-interest investments
- Net gains on disposals in Q1-2 2008 reduced by €1.1bn because of market caution, whereas Q1-2 2007 was characterised by high (extraordinary) gains (mainly real estate and stocks)
- Overall investment result negatively influenced by currency development

Therefore distinctly lower Rol of 1.9% (3.2%)

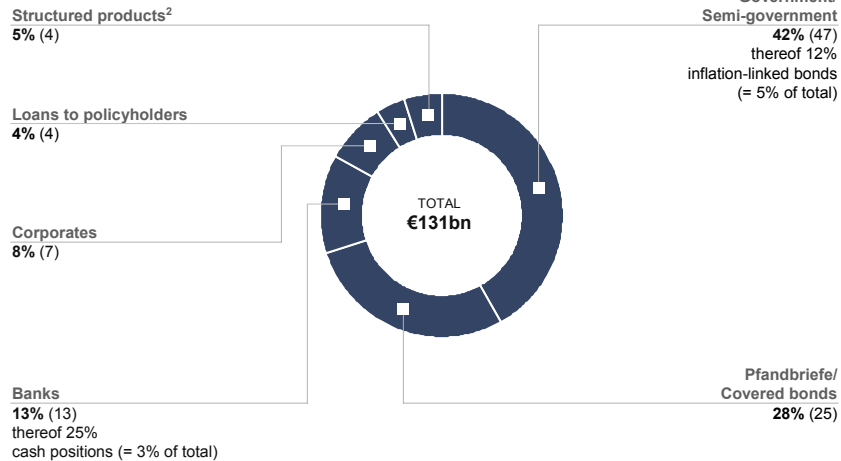
Q1-2 2008	€m	return ¹
Regular income	4,064	4.8%
Other income/expenses	-513	-0.6%
Gains/losses on the disposal of investments	876	1.0%
Write-downs/write-ups of investments	-1,164	-1.4%
Investment result	3,263	3.8%

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

Fixed-income exposure

Reallocation in strict compliance with our quality standards

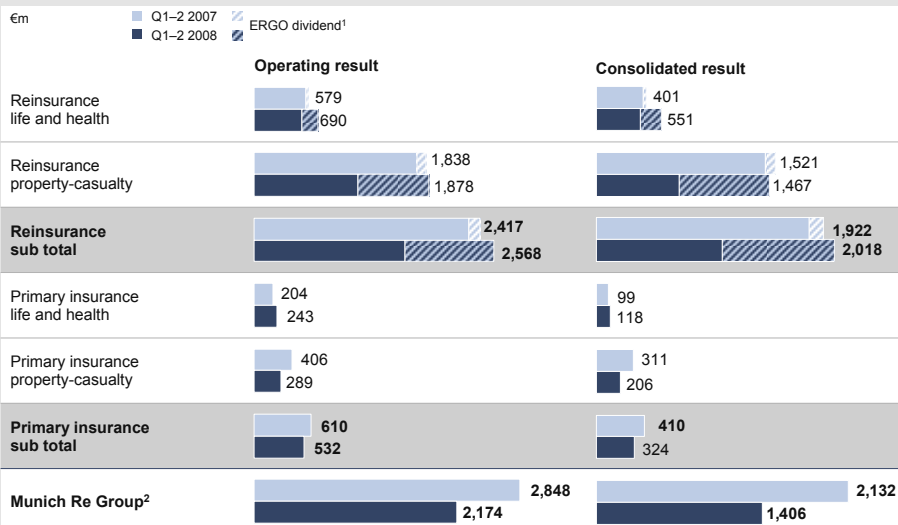
Fixed-interest portfolio¹



¹ Incl. loans, parts of other securities and cash positions. Economic view – not fully comparable with IFRS figures.
² Thereof subprime exposure: ~€240m.
 Figures in brackets 31.12.2007

Operating and consolidated result

Satisfactory underwriting influenced by declining investment result



¹ Q1-2 2008 incl. dividend from ERGO of €947m (before taxes), thereof RI life and health: €180m, RI property-casualty: €767m.
 Q1-2 2007 incl. dividend from ERGO of €114m (before taxes), thereof RI life and health: €23m, RI property-casualty: €91m.

² Operating result Q1-2 2008 including asset management (€44m, Q1-2 2007 €68m) and consolidation (–€970m, Q1-2 2007 –€247m).
 Consolidated result Q1-2 2008 including asset management (€34m, Q1-2 2007 €47m) and consolidation (–€970m, Q1-2 2007 –€247m).

Financial reporting Q1-2 2008 – Munich Re Group in total



Equity

Solid despite decrease due to price losses on investments

€m

Equity 31.12.2007	25,458	
Consolidated result	1,406	
Other changes		
Dividend	-1,118	
unrealised gains/losses ¹	-2,771	
Exchange rates	-520	
Share buy-backs	-958	
Other	-25	
Equity 30.6.2008	21,472	

¹ On other securities.

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Quartalsabschluss Q1-2 2008 – Münchener-Rück-Gruppe gesamt



Premium development

Marked currency effect with little impact on result

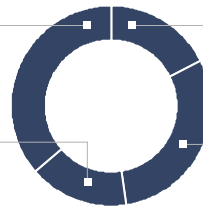
€m

Gross premiums written Q1-2 2007	18,928	
Foreign-exchange effects	-906	
Divestment/Investment	387	
Organic change	448	
Gross premiums written Q1-2 2008	18,857	

Breakdown by segment (segmental, not consolidated)

Reinsurance
Property-casualty
6,864 (36%)
(▲0.6%)

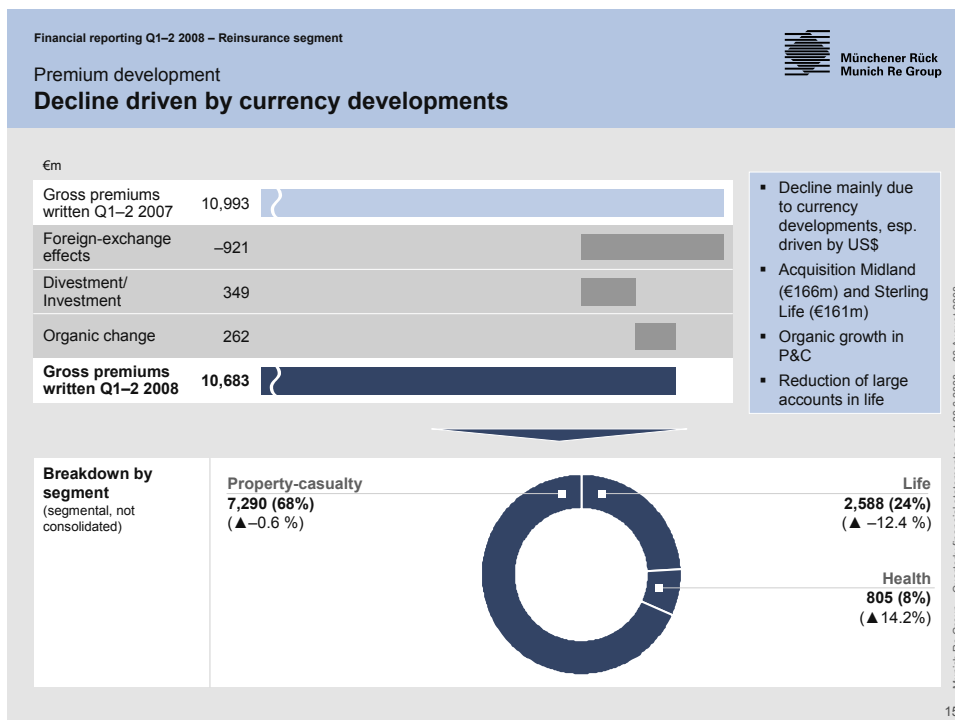
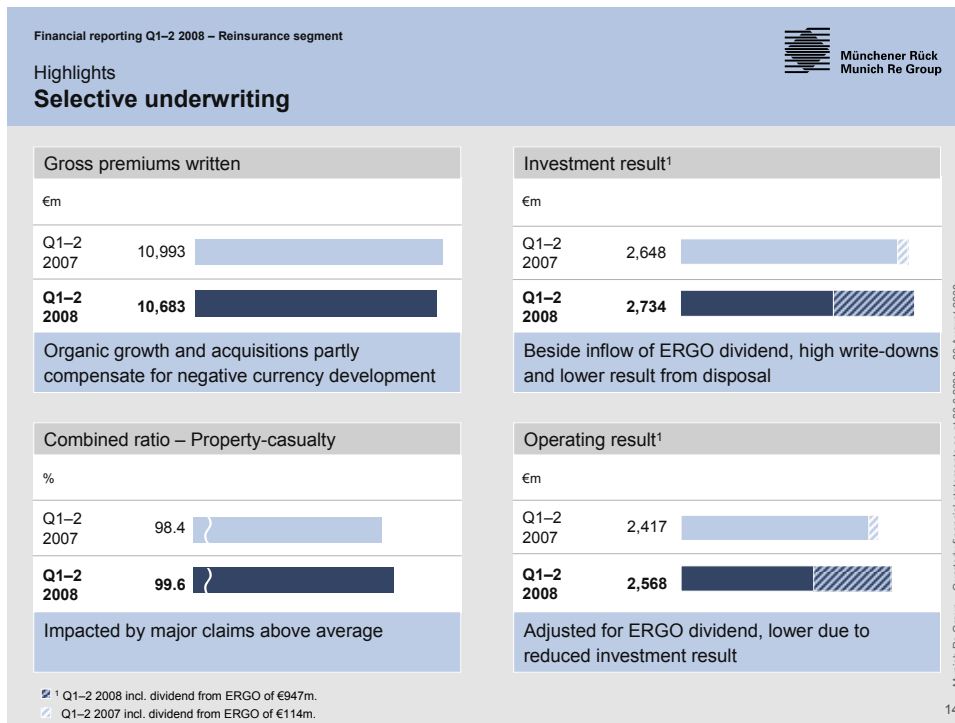
Reinsurance
Life: 2,369 (13%)
(▲-13.0%)
Health: 671 (4%)
(▲15.5%)



Primary insurance
Property-casualty
3,297 (17%)
(▲5.0%)

Primary insurance
Life: 2,899 (15%)
(▲-2.7%)
Health: 2,757 (15%)
(▲2.6%)

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Combined ratio – Property-casualty
Favourable combined ratio after normal claims level in Q2

%	Loss ratio	Thereof NatCat ¹	Thereof man-made	Expense ratio
2007	96.4	67.9	5.0	28.5
Q2 2007	94.9	62.9	3.6	32.0
Q2 2008	95.4	67.7	2.5	27.7
Q1-2 2007	98.4	69.9	8.0	28.5
Q1-2 2008	99.6	71.3	6.6	28.3



- €425m NatCat claims significantly above 5-year average (€237m); thereof highest claims:
 - Two floods in Queensland, Australia: Each nearly €100m (Q1)
 - Winterstorm Emma: ~€75m (Q1)
 - Normal claims level in Q2
- Additional €352m in man-made losses (5-year average: €263m)
- Slightly decreased expense ratio close to normal level

¹ Previous year adjusted owing to change in method (due to a change of limits for outlier/large losses (€10m and \$15m) from Q1 2008 on)

Highlights Q1-2 2008
Satisfactory result in difficult financial markets

Gross premiums written	
€m	
Q1-2 2007	8,813
Q1-2 2008	8,971

Organic growth in property-casualty and health

Investment result	
€m	
Q1-2 2007	3,336
Q1-2 2008	1,609

Significantly lower, 2007 impacted by exceptional high gains from disposals

Combined ratio – Property-casualty ¹	
%	
Q1-2 2007	93.3
Q1-2 2008	91.0

Positive development of losses and lower expenses

Operating result	
€m	
Q1-2 2007	610
Q1-2 2008	532

Satisfactory underwriting result partially balances decline in investment result

¹ Incl. legal expenses.

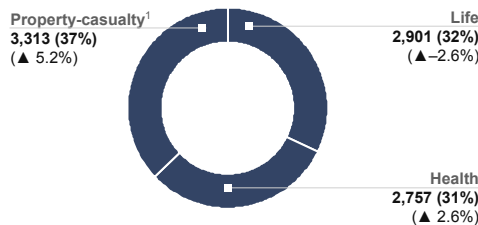
Premium development
Organic growth in property-casualty and health

€m

Gross premiums written Q1-2 2007	8,813	
Foreign-exchange effects	-41	
Divestment/Investment	38	
Organic change	161	
Gross premiums written Q1-2 2008	8,971	

- Organic growth in Eastern European business (esp. motor and engineering)
- Organic growth in health; new business abroad, increase in premiums at DKV
- Acquisition DAUM Direct

Breakdown by segment
(segmental, not consolidated)



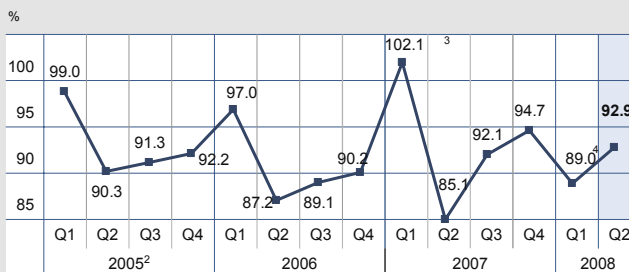
Life statutory premiums

- IFRS premiums €2,901m (▲ -2.6%)
- Investment-oriented products €538m (▲ 36.2%)
- **Total €3,439m (▲ 1.9%)**

¹ Incl. legal expenses.

Combined ratio – Property-casualty
Excellent combined ratio despite storms Emma and Hilal

%		Loss ratio ¹	Expense ratio ¹
2007	93.4	58.6	34.8
Q2 2007	85.1	53.1	32.0
Q2 2008	92.9	60.8	32.1
Q1-2 2007	93.3	58.7	34.6
Q1-2 2008	91.0	57.9	33.1



- Overall favourable development in Q1-2 2008
- NatCat claims slightly increased in Q2 2008 due to storm Hilal
- Declining expense ratio reduced mainly due to lower administrative expenses

¹ Incl. legal expenses. ² Adjusted due to first-time application of IAS 19 (rev. 2004).
³ Kyrill: 5.8%. ⁴ Emma: 2.1%

Updated guidance for consolidated result in 2008

Guidance for 2008

- Consolidated result well above €2.0bn (RoRaC well above 10%), however below previous envisaged range of €3.0 to 3.4bn
- Gross premiums written expected to be unchanged in the range of €36.0 to 37.5bn (within stable currency environment)
- Combined ratio reinsurance 98%, thereof NatCat 6.5% (achievable only if major claims below expectations)
- Combined ratio primary insurance below 95%
- RoI target: 4.5% on a sustainable basis; in 2008 <4.0% is expected

Mid-term targets

- Earnings per share of >€18 by 2010 confirmed
- RoRaC of at least 15% over the cycle



Mid-term perspective to stand

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Munich Re Group in total
Reinsurance segment
Primary insurance segment

Strategy in reinsurance

Renewals at 1 July

Changing Gear – Initiatives for profitable growth

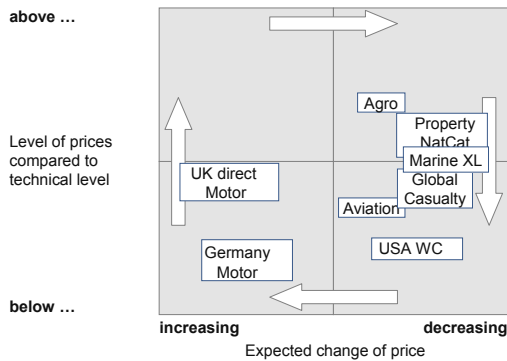
ERGO – Agenda 2012
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Summary and outlook

State of the cycle – Profitability is key

Munich Re Cycle Watch

State of cycle

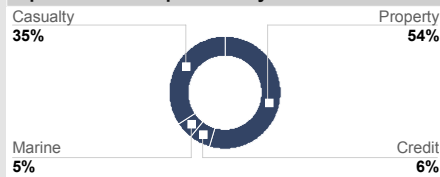


- Price adequacy and decline in pricing varying by region and business segment; some segments expected to see higher prices
- Credit crisis could potentially influence the cycle

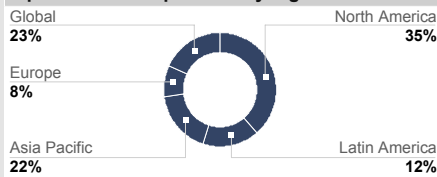
Risk selection and underwriting discipline are key to success

Strong commitment to active cycle management

Split of renewed portfolio by lines of business



Split of renewed portfolio by regions



Active cycle management

Declining unprofitable business

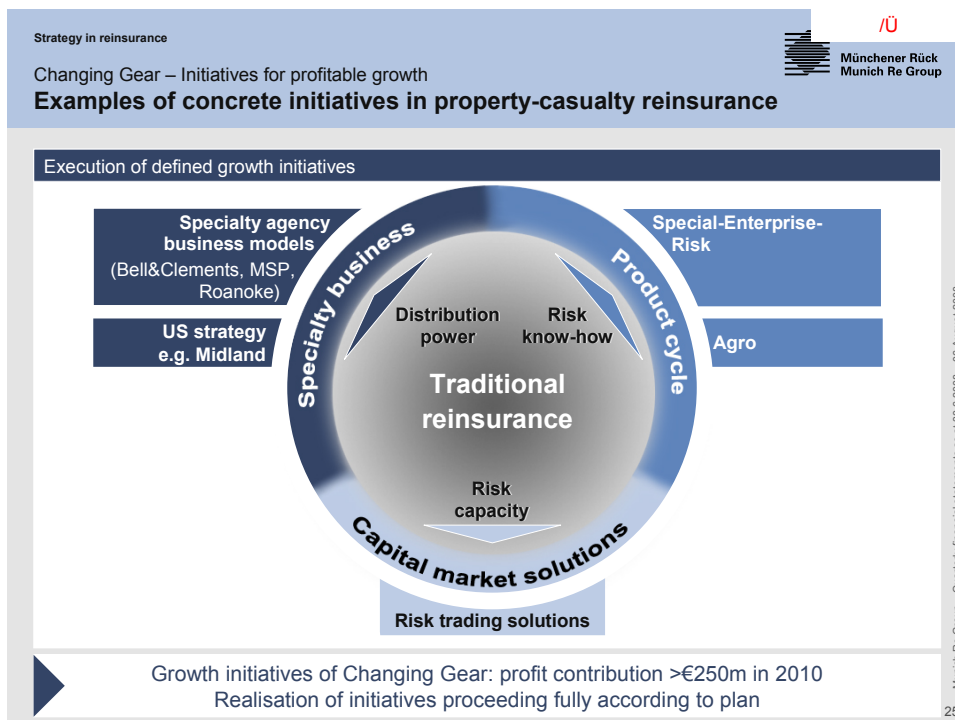
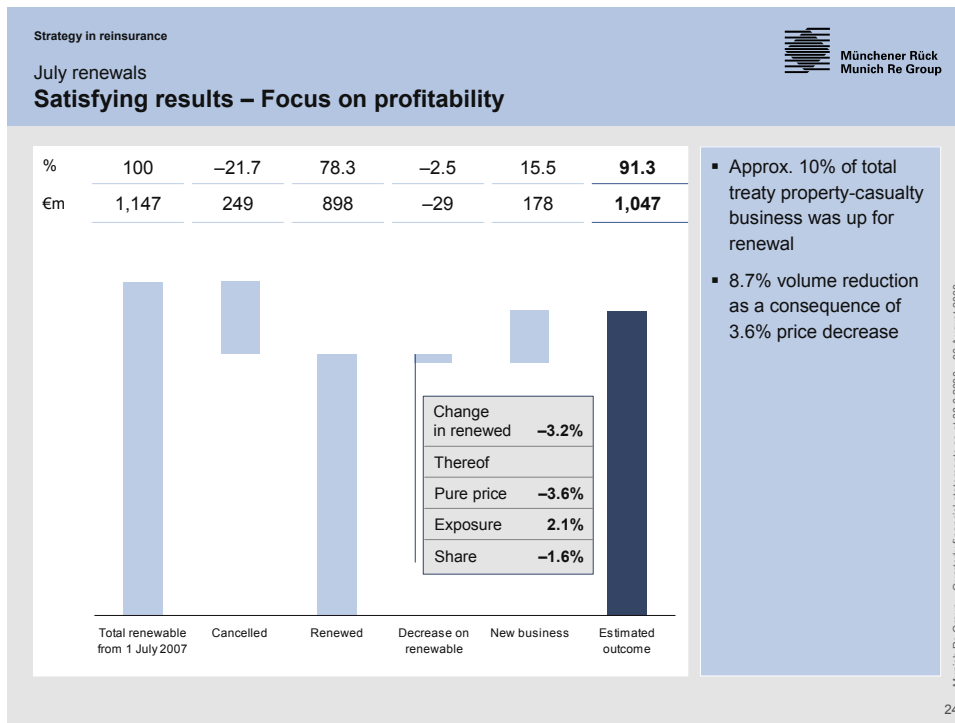
- Strict cancellation of un-adequately priced business
- Client profitability as key criterion
- Reduction of very long-tailed US Casualty business by 45%

Restructuring profitable business

- Proportional business: Providing underwriting audits for our cedents
- XL business: Restructuring of layering (e.g. attachment points); shift of capacity within programmes towards higher, more profitable layers
- Optimisation of reinsurance programmes

Outcome

- Active shifting: Cancelled / New business
- Private placements and differential terms
- US Hurricane business still profitable – otherwise cancelled
- Increase in Property proportional prices in Australia



Strategy in reinsurance



Changing Gear – Initiatives for profitable growth

Brazil – Prospects for profitable growth

Opening of the market in Brazil this April
Munich Re present with own subsidiary since 2 May

MR do Brasil is one of three local reinsurers
Presence secures unhindered, optimum market access

Expanding market, with significant growth expected in new business
Focus is on profitability

Our objective: We aspire to
become the most profitable reinsurer in Brazil

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Strategy in reinsurance



Changing Gear – Initiatives for profitable growth

Agriculture – Specialist expertise pays off


Turning know-how in agricultural business and natural hazards
into profitable reinsurance solutions

Munich Re's agricultural business has been recording double-digit growth for years
Combined ratio 2001–2007: 92.7%

We expect the demand for agricultural insurance to increase further
Munich Re well-positioned with 35 agricultural engineers and underwriters

Public-private partnership models are the drivers
for further profitable growth

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ERGO – Agenda 2012

Ambitious objectives

Progress on numerous measures

Update on strategic programme up to 2012 

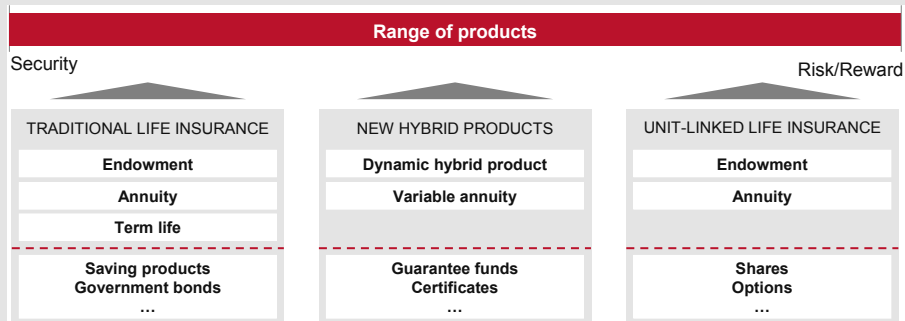
<p>Strengthen ERGO's sales organisations</p>	<ul style="list-style-type: none"> ▪ New business in life disappointing so far – Health business affected by health reform – Non/life insurance proceeding according to plan ▪ Progress in restructuring broker distribution
<p>Realign ERGO strategy in life</p>	<ul style="list-style-type: none"> ▪ Newly launched dynamic hybrid product has met with a positive reception in sales organisations ▪ Variable annuity product added to product range
<p>Increase share of international business</p>	<ul style="list-style-type: none"> ▪ Acquisition of majority stake in BACAV, Austria ▪ Joint venture with HERO in Indian life market ▪ Business cooperation with UniCredit in central and eastern Europe about to start
<p>Enhance ERGO operations model</p>	<ul style="list-style-type: none"> ▪ Concrete measures for 2010 expense-ratio targets ▪ Total cost savings of €180m ▪ Reduction in personnel (1,930 FTEs)

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Realign ERGO strategy in life

Investment-type life insurance broadens product range



2008 measure

Campaign for investment-type products

- Dynamic hybrid product (DHP) launched
 - Mixture of traditional type of investment and fund certificate investment
 - Annuity product – also available as „Riester“ pension
 - Commencement of sales via tied agents and brokers as from April 2008 (HVB since October 2007)
- Variable annuity product „Global topReturn“ launched via Vorsorge Luxembourg
 - Unit-linked annuity with guaranteed interest rate of 3%

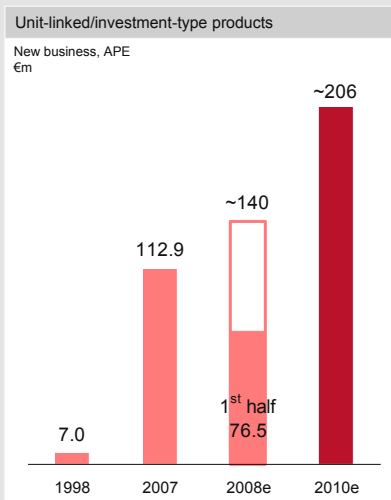
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Realign ERGO strategy in life

Increase the proportion of investment-type products

ERGO product split 2007 and 2010

% ¹	1998	2007	2010
Traditional annuity insurance	27.1	29.3	~22.5
Unit-linked/investment-type products	0.5	19.4	~30
Group insurance	12.9	24.1	~30
Endowment life insurance	57.3	18,0	~10
Other	2.2	9.2	~7.5



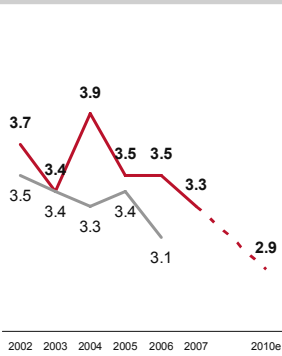
¹ New business (APE), German local GAAP.

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Strict cost discipline brings further progress

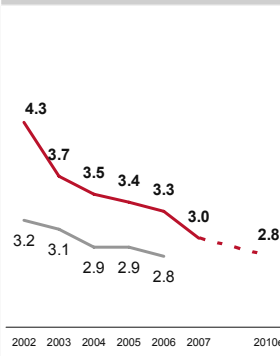
Ambitious targets

Administrative expense ratio life¹



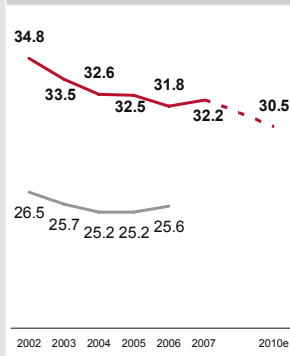
Δ ERGO vs. market:
2002: 0.2 %-points
2006: 0.4 %-points

Administrative expense ratio health¹



Δ ERGO vs. market:
2002: 1.1 %-points
2006: 0.5 %-points

Operating expense ratio non-life¹



Δ ERGO vs. market:
2002: 8.3 %-points
2006: 6.2 %-points

¹ Germany, gross figures German Gaap (HGB)

Cost targets fully documented with concrete measures

Measures

- Transfer of simple transactions from 2nd level to 1st level
- Centralising the recording and processing of applications
- Optimising the use of electronic document management
- Central management of in-house sales staff
- Combining functions across distribution channels and brands
- Functional organisation and combining of tasks in Human Resources
- Optimising spans of control
- Numerous other individual measures

TOTAL SAVINGS

€180m

REDUCTION IN PERSONNEL

1,930 FTEs
(360 unfilled positions, 1,570 jobs)

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Summary



Changing Gear – Basis for future earnings strength

Cycle management, underwriting discipline and financial strength
ensure sustainable profitability

Changing Gear is working and
will contribute to profitable growth in the foreseeable future

Continued capital management enhances attractiveness for investors
Planned dividend for 2008 at least €5.50

Medium-term result target remains
Earnings per share of >€18 by 2010

Munich Re Group – Quarterly financial statements as at 30.6.2008 – 06 August 2008

Disclaimer



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