Münchener Rück
Munich Re Group

Press release – Munich, 4 August 2009

Munich Re posts €1.1bn profit for first half-year 2009

In the second quarter of 2009, Munich Re recorded a profit of €703m, once more demonstrating its earnings strength. The result surpassed last year's figure (€628m) by 11.9%. The profit for the first half-year totalled €1,123m (1,405m).

Nikolaus von Bomhard, Chairman of the Board of Management, stated: "We were able to benefit further from our capital strength and exploit our scope for profitable growth. We regard the effects of the economic crisis as limited in extent for the Munich Re Group."

Von Bomhard stressed that Munich Re was well set particularly for the time after the crisis: "In reinsurance, you need to be more than just solid and financially strong: our clients want flexible, innovative solutions from us, based on our expertise. We have laid the foundations for this over the past two years. Now we can deliver."

In primary insurance, ERGO returned to the profit zone in the second quarter. "Thanks to our consistent accounting policy, we can look ahead with confidence", said von Bomhard. "In Germany, ERGO is on track. It is evident that we are faring well with the broad diversification of our business across business fields and regions."

Summary of the Munich Re Group's figures for the first half-year

In the first six months, the Munich Re Group recorded a satisfactory operating result of €2,119m (2,281m), of which €1,373m was earned in the second quarter. The investment result remained pleasingly stable at €3.6bn, increasing by 8.9% on the first half-year 2008. This represents a return on investment of 4.0%. Shareholders' equity remained unchanged compared with the beginning of the year at €21.3bn. The annualised return on risk-adjusted capital (RORAC) amounted to 13.2% and the post-tax annualised return on equity (RoE) to 10.5%. The half-year profit totalled €1,123m (1,405m), whilst the consolidated result for the second

Contact:

Johanna Weber
Tel.: +49 (0) 89 38 91-26 95
Fax: +49 (0) 89 38 91-7 26 95
E-mail: jweber@munichre.com
www.munichre.com

Münchener Rückversicherungs-Gesellschaft
Aktiengesellschaft in München
Media Relations
Königinstrasse 107
80802 München
Germany

quarter of 2009 came to €703m (up 11.9% on the second quarter of 2008). Gross premiums written rose by 9.8% to €20.7bn (18.9bn). If exchange rates had remained the same, premium volume would have increased by 8.8% compared with the same period last year.

As from the first quarter of 2009, Munich Re has applied the new accounting standard IFRS 8, thus gearing its segment reporting more closely to its internal reporting and management structure.

Since May, Munich Re has been offering its healthcare-related products to clients and partners outside Germany under the Munich Health brand. In this third field of business, the Group combines its global insurance and reinsurance know-how, including related services. Owing to its still relatively small volume, this field of business is not yet accounted for separately but is shown partly in the segment reinsurance life and health, and partly in health primary insurance.

Primary insurance: Second quarter with profit – First half-year affected by goodwill impairments and interest-rate hedging
The Munich Re Group's primary insurance business comprises the companies of the ERGO Group, although consolidation effects mean that the figures of the Munich Re Group's primary insurance segments may differ from those of ERGO.

Primary insurance returned to the profit zone in the second quarter, but the results for the first half-year as a whole suffered from the consequences of the financial crisis. The operating result totalled €292m (585m), of which €215m (271m) derived from the second quarter. The consolidated result for the primary insurance segment was –€9m (330m) for the first six months and €63m (159m) for the period from April to June.

For the first half of 2009, the combined ratio in the property-casualty insurance segment (including legal expenses insurance) amounted to 94.7% (90.7%). In the second quarter especially, its level was good at 93.1% (93.4%).

Considering the far-from-easy business environment due to the economic crisis, ERGO's CEO Torsten Oletzky highlighted the underwriting. "Despite the economic adversities, we continue to post good technical results. It helps that we did our homework in good time – for example, on the cost side. Our falling costs curb the effect of slightly higher loss ratios."

Total premium income across all lines showed growth of 5.1% in the first half-year, amounting to €9.7bn (9.2bn), with €4.6bn (4.3bn) in the second quarter. ERGO again achieved its main growth in international business, although premium income in euros was hit by major changes in exchange rates, particularly of the Polish zloty and the Turkish lira.

In the life segment, total premium income rose to €3.8bn (3.4bn), the second quarter accounting for €2.0bn (1.8bn). German business showed an increase of 1.7%, but premiums in international business grew in the second quarter by 82.7% to €519m (284m). This includes the premium written by Bank Austria Creditanstalt Versicherung AG (BACAV), which has been consolidated in Munich Re's financial statements since the fourth quarter of 2008 and amounted to €223m in the first half of 2009. Gross premiums written totalled €3.0bn (2.9bn), a figure that does not include savings premiums from unit-linked life insurance and capitalisation products such as "Riester" pensions in Germany. In German new business, there was a reduction in the annual premium equivalent (APE = regular premium income plus 10% of single-premium volume) due to a basic underlying effect on regular premiums: in early 2008, new business had experienced a major boost as a consequence of the fourth and last subsidisation stage for Riester policies. By contrast, ERGO has been able to conclude considerably more single-premium business in 2009 so far, mainly via its banking, broker and direct channels.

In the primary health insurance segment, premium income climbed by 3.0% to €3.1bn (3.0bn) in the first six months of 2009, with the second quarter contributing €1.5bn (1.4bn). Up by 1.5% to €2.5bn (2.4bn) in Germany, it showed a rise of 9.9% to €586m (533m) in international business, which benefited particularly from high premium growth in Spain.

In the property-casualty insurance segment, ERGO posted premium income of €2.8bn in the first six months of 2009, the same level as in the comparable period last year. Whilst international business contracted by 0.3% to €1,005m (1,008m) owing to falling exchange rates, German business grew slightly, with premium since the start of the year climbing by 0.2% to €1,782m (1,778m), and the period from April to June 2009 accounting for €649m (640m). Oletzky: "Growth is pleasing in our commercial and industrial business, where we can continue to score with our expertise. But the downward trend in motor insurance continues – if you want to make a profit here, you currently have to forgo premium."

Reinsurance: Combined ratio of 97.7%, with large cost burden from major losses

Reinsurance business performed satisfactorily overall in the first half of 2009. Thanks to its broadly diversified, profitable business and a solid investment result of €2,007m (2,741m), Munich Re was able to post an operating result of €2,004m (2,628m) (–23.7%) despite a number of major losses, with €1,153m coming from the second quarter. Reinsurance contributed €1,299m (2,021m) to the Group's overall profit, €634m of this (1,442m) in the second quarter. A write-down of €47m was made on Sterling Life's goodwill and intangible assets, owing to changes in the US regulatory environment. Last year's reinsurance investment result and profit for the first six months included the dividend payment of €947m that Munich Re received from ERGO.

Natural catastrophe losses in the first half-year remained manageable in number. By contrast, claims costs for man-made loss events rose in the first six months to €453m (352m), with a substantial portion of €217m deriving from claims in credit and surety reinsurance business. There was an accumulation of major losses particularly in the second quarter.The combined ratio was 98.1% (95.2%) for the second quarter, and 97.7% (99.5%) for January to June. In the second quarter, 1.5 (2.5) percentage points of this related to natural catastrophes, compared with 3.5 (6.6) percentage points in the first half-year.

Premium income grew by 14.0% in the first six months year on year, mainly through acquisitions, and totalled €12.2bn (10.7bn), of which €6.3bn (5.2bn) was attributable to the second quarter. Adjusted to eliminate currency effects, premium increased by 10.9% in the first half-year and by 17.4% in the second quarter.

With effect from 1 April, Munich Re's consolidated financial statements include its new acquisition, the Hartford Steam Boiler Group (HSB Group), which contributed gross premium income of €173m. Torsten Jeworrek, member of Munich Re's Board of Management: "HSB embodies our business proposition: achieving added value for our clients with our know-how – in HSB's case, with technical expertise."

Munich Re's treaty renewals in property-casualty reinsurance at 1 April 2009 (in the USA, Japan and Korea) and at 1 July 2009 (mainly in the USA, Australia and Latin America, and with some global clients) showed a continued positive trend, with the price increases achieved totalling 7.2% at 1 April and 4.4% at 1 July. Jeworrek: "I expect that in capital-intensive segments in particular, the price level will prove durable for 2010. We intend to convince our clients not only with our solidity but also with our solution-based approach."

Munich Re had already announced in May that, as from the second quarter of 2009, it expected additional annual premium income of over €2bn from the conclusion of major quota share treaties in the life and health reinsurance segment.

Investments: Good half-year investment result of €3.6bn
Owing to the expansion of insurance business and foreign currency gains, total investments at 30 June 2009 increased compared with year-end 2008 by €2.5bn or 1.4% to €177bn, despite the dividend payment.

For the period January to June 2009, the Munich Re Group's investment result showed a year-on-year improvement of 8.9% to €3.6bn (3.3bn). Annualised, the result represents a return of 4.0% in relation to the average market value of the portfolio.

The equity-backing ratio increased slightly to 2.0% as at 30 June 2009 (31 December 2008: 1.7%), based on the Group's total investments at market value, including hedging instruments. Munich Re thus only benefited to a small extent from the sometimes significant stock price gains in the second quarter. "Given the volatile capital market environment, we preferred to deploy our financial capacity to cover insurance and reinsurance risks rather than speculate on cyclically fragile stock market rallies", explained CFO Jörg Schneider.

The running yield from dividends, interest and rental income amounted to 4.2% (4.7%) annualised, based on the average market value of the portfolio. In the first half-year, Munich Re posted net realised gains on disposal that were slightly lower year on year at €639m (876m), although there was an improvement to €280m (134m) in the second quarter. Gains on disposals resulted from expired or closed derivatives and the sale of shares already hedged prior to the financial crisis. Further capital gains totalling around €107m were generated by reducing Munich Re's stake in the Admiral Group from 15.1% to 10.2%. Overall, Munich Re thus achieved a net result of €334m (691m) between January and June on the disposal of non-fixed-interest securities categorised as "available for sale" and of derivatives with non-fixed-interest underlying business.

The net balance of write-ups and write-downs in the first six months of the financial year came to –€667m (–1,168m), of which –€125m (–660m) was assignable to the second quarter. In the previous year, Munich Re had had to absorb substantial write-downs on its equity portfolio.

The revaluation of the Munich Re Group's total portfolio of fixed-interest securities categorised as "available for sale" and changes in equity of €438m led to net write-downs totalling approximately €126m (29m), of which €28m (8m) was attributable to the months April to June. In the first half-year, Munich Re made write-downs of approximately €50m on its structured-credit portfolio, with mortgage-backed securities and collateralised debt obligations being particularly affected. To take account of the risk of non-payment on participation certificates, dormant holdings and similar banking-sector equity instruments, write-downs of approximately €65m were made on such instruments between January and June.

Despite write-ups of €751m (1,703m), the Group's investments in derivatives led on balance to write-downs of €221m (–1,124m) in the first six months, €92m (–236m) of which was in the second quarter. This was due to losses in value on derivatives employed to hedge equity investments against falling prices and that entail write-downs when, as now, share prices rise. Furthermore, interest rate rises resulted in write-downs of swaptions used by ERGO in life primary insurance to hedge against persistently low interest rates.

The overall balance of write-ups and write-downs plus net gains on disposals amounted to –€28m for the first half-year.

With reference to the rising level of interest rates in the first half-year, Schneider stressed: "Moderate interest rate increases enhance the return on our new, largely fixed-interest investments and thus actually benefit us in the long run despite the current losses in value in our existing investment portfolio." He said this applied especially to the life primary insurers. “Here we will generate, at reasonable risk, regular income which comfortably exceeds the interest rates guaranteed to clients,” Schneider explained.

The asset manager of Munich Re and the ERGO Insurance Group is MEAG MUNICH ERGO AssetManagement GmbH. In addition to Group investments, MEAG had segregated and retail funds totalling €8.4bn (8.5bn) under management as at 30 June 2009.

Outlook for 2009: Unchanged RORAC target of 15%
In view of the continuing ructions on the financial markets and the economic crisis, all prognoses are subject to considerable uncertainty.

For the current financial year 2009, Munich Re expects gross premiums written in its primary insurance and reinsurance business (total consolidated premium) to range between €40bn and €42bn. If exchange rates remain stable, Munich Re anticipates that its gross premium volume in the reinsurance segment will range between €24bn and €25bn. Having revised its premium forecast significantly upwards in May to €22.5–24bn (reinsurance) and €39–41bn (total consolidated premium) owing to the conclusion of large-volume quota share treaties in the life and health reinsurance segment, Munich Re is now able to make a further upward revision, thanks to additional treaties concluded in the same segment. In primary insurance, gross premiums of between €17bn and €17.5bn are expected.

For property-casualty reinsurance, Munich Re reckons with a combined ratio of around 97% of net earned premiums over the market cycle as a whole, based on an expected average major-loss burden of 6.5% from natural catastrophes. The 3.5% burden from natural catastrophes in the first half of the year was moderate, but the peak cyclone season is still ahead. The recession-related losses alone, however, are likely to make it more difficult to achieve – let alone outperform – the long-term combined ratio target of 97% in 2009. In primary insurance, the 2009 goal is another combined ratio within the long-term target of 95%.

The uncertainties resulting from the economic crisis continue to apply to both underwriting business and investments, making a forecast for the 2009 annual result particularly difficult. “Our RORAC target of 15% over the cycle, to which we are adhering, is certainly ambitious in the light of the economic crisis, but still achievable,” said CEO von Bomhard. But in contrast to other customary return targets, he added, it did not induce the Group to act imprudently: “Our targets always give due consideration to the risks taken”, von Bomhard explained.

After concluding the 2008/2009 share buy-back programme as planned, Munich Re had put further share buy-backs on hold from April onwards owing to the uncertainties resulting from the economic crisis. The Group reasons that for the time being it is more beneficial to use its comfortable capitalisation to take advantage of growth opportunities in its business.

CEO von Bomhard emphasised: “However, if in the further course of the year the prospects in the insurance markets turn out to be not attractive enough and the economic situation stabilises sufficiently, we will resume the share buy-back programme.”

Media Relations Munich, Johanna Weber
Tel.: +49 (0) 89 38 91-26 95

Media Relations Asia, Nikola Kemper
Tel.: + 852 2536 6936

Media Relations USA, Terese Rosenthal
Tel.: + 1 609 243 4339

The **Munich Re Group** operates worldwide, turning risk into value. In the financial year 2008, it achieved a profit of €1,528m on premium income of around €38bn. The Group operates in all lines of business, with around 44,000 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 €22bn from reinsurance alone, it is one of the world's leading reinsurers. The 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 40 million clients in over 30 countries place their trust in the services and security it provides. In international healthcare business, the Munich Re Group pools its insurance and reinsurance operations, as well as related services, under the Munich Health brand. The global investments of the Munich Re Group amounting to €175bn are managed by MEAG, which also makes its competence available to private and institutional investors outside the Group.

At a glance:

- Profit of €1.1bn in the first half-year 2009
- CEO von Bomhard: “We regard the effects of the economic crisis as limited in extent for the Munich Re Group”
- Primary insurance: Positive result in second quarter – Burdens from first quarter impact result for first half-year
- Reinsurance: Combined ratio of 97.7% with high major-loss burden

Key figures (IFRS) for the first half-year 2009*
(in €m unless otherwise indicated)

MUNICH RE GROUP	1st half-year 2009	1st half-year 2008	Change absolute	Change %
Gross premiums written	**20,693**	18,853	1,840	9.8
Net earned premiums	**19,129**	17,240	1,889	11.0
Net expenses for claims and benefits	**16,025**	14,018	2,007	14.3
Technical result	**1,030**	1,316	–286	–21.7
Investment result	**3,552**	3,261	291	8.9
Thereof realised gains	**2,301**	2,593	–292	–11.3
realised losses	**1,662**	1,717	–55	–3.2
Non-technical result	**1,089**	965	124	12.8
Operating result	**2,119**	2,281	–162	–7.1
Finance costs	**158**	181	–23	–12.7
Taxes on income	**572**	587	–15	–2.6
Consolidated profit	**1,123**	1,405	–282	–20.1
Thereof attributable				
to Munich Re equity holders	**1,106**	1,373	–267	–19.4
to minority interests	**17**	32	–15	–46.9
	30.6.2009	31.12.2008		
Investments	**177,437**	174,977	2,460	1.4
Equity	**21,268**	21,256	12	0.1
Employees	**47,280**	44,209	3,071	6.9

REINSURANCE**	1st half-year 2009	1st half-year 2008	Change absolute	Change %
Gross premiums written	**12,245**	10,740	1,505	14.0
Thereof Life and health	**4,367**	3,389	978	28.9
Property-casualty	**7,878**	7,351	527	7.2
Combined ratio in %	**97.7**	99.5	–1.8	
Technical result	**613**	824	–211	–25.6
Non-technical result	**1,391**	1,804	–413	–22.9
Operating result	**2,004**	2,628	–624	–23.7
Result	**1,299**	2,021	–722	–35.7

PRIMARY INSURANCE**	1st half-year 2009	1st half-year 2008	Change absolute	Change %
Gross premiums written	**8,895**	8,668	227	2.6
Combined ratio in % for property-casualty	**94.7**	90.7	4.0	
Technical result	**521**	591	–70	–11.8
Non-technical result	**–229**	–6	–223	<–1,000.0
Operating result	**292**	585	–293	–50.1
Result	**–9**	330	–339	–

SHARES	1st half-year 2009	1st half-year 2008	Change absolute	Change %
Earnings per share in €	**5.66**	6.73	–1.07	–15.9

* Previous year’s figures adjusted owing to first-time application of IFRS 8.
** Before elimination of intra-Group transactions across segments.

Key figures (IFRS) for the second quarter of 2009*
(in €m unless otherwise indicated)

MUNICH RE GROUP	2nd quarter 2009	2nd quarter 2008	Change absolute	Change %
Gross premiums written	**10,326**	9,011	1,315	14.6
Net earned premiums	**10,132**	8,697	1,435	16.5
Net expenses for claims and benefits	**8,665**	7,085	1,580	22.3
Technical result	**479**	713	–234	–32.8
Investment result	**2,187**	1,586	601	37.9
Thereof realised gains	**897**	1,001	–104	–10.4
realised losses	**617**	867	–250	–28.8
Non-technical result	**894**	375	519	138.4
Operating result	**1,373**	1,088	285	26.2
Finance costs	**76**	95	–19	–20.0
Taxes on income	**313**	310	3	1.0
Consolidated profit	**703**	628	75	11.9
Thereof attributable				
to Munich Re equity holders	**691**	606	85	14.0
to minority interests	**12**	22	–10	–45.5
	30.6.2009	31.12.2008		
Investments	**177,437**	174,977	2,460	1.4
Equity	**21,268**	21,256	12	0.1
Employees	**47,280**	44,209	3,071	6.9

REINSURANCE**	2nd quarter 2009	2nd quarter 2008	Change absolute	Change %
Gross premiums written	**6,337**	5,190	1,147	22.1
Thereof Life and health	**2,521**	1,713	808	47.2
Property-casualty	**3,816**	3,477	339	9.7
Combined ratio in %	**98.1**	95.2	2.9	
Technical result	**298**	521	–223	–42.8
Non-technical result	**855**	1,263	–408	–32.3
Operating result	**1,153**	1,784	–631	–35.4
Result	**634**	1,442	–808	–56.0

PRIMARY INSURANCE**	2nd quarter 2009	2nd quarter 2008	Change absolute	Change %
Gross premiums written	**4,164**	4,059	105	2.6
Combined ratio in % for property-casualty	**93.1**	93.4	-0.3	
Technical result	**262**	248	14	5,6
Non-technical result	**–47**	23	–70	–
Operating result	**215**	271	-56	–20.7
Result	**63**	159	-96	–60.4

SHARES	2nd quarter 2009	2nd quarter 2008	absolute	Change %
Earnings per share in €	**3.54**	2.97	0.57	19.2

***** Previous year's figures adjusted owing to first-time application of IFRS 8.
****** Before elimination of intra-Group transactions across segments.