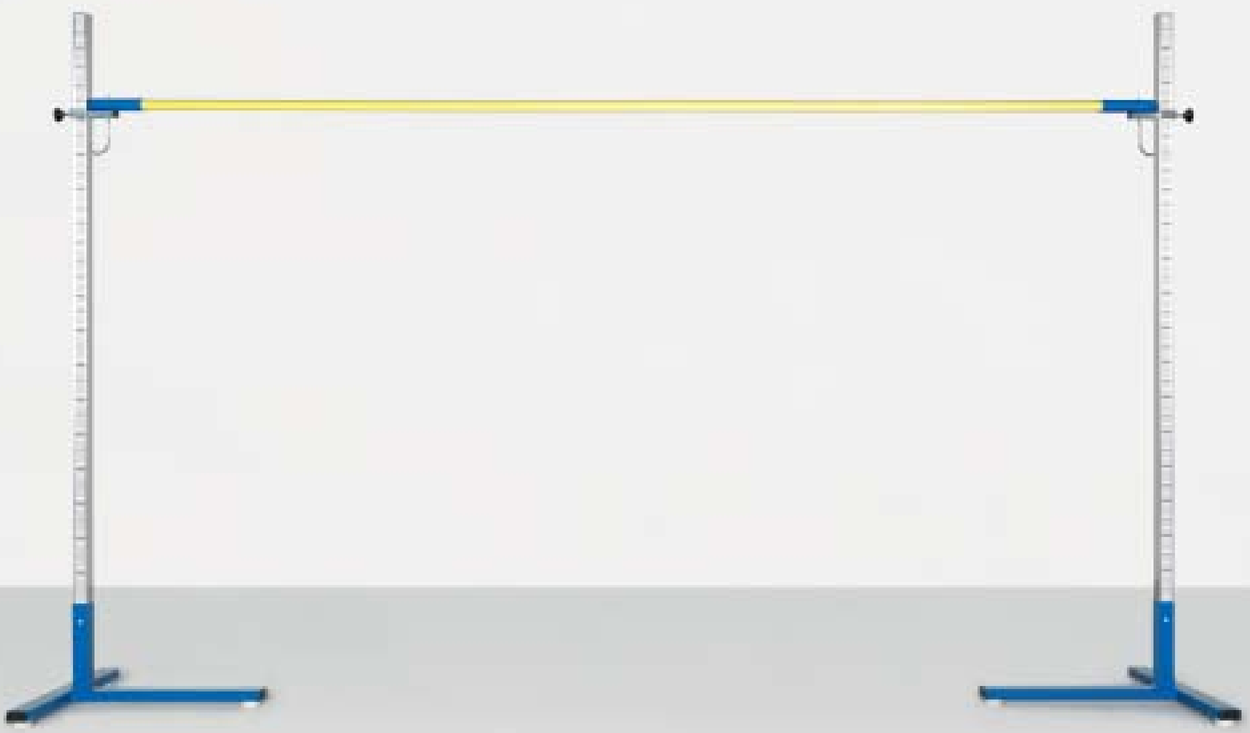
Munich Re Group
Information on the financial year 2007

Münchener Rück
Munich Re Group



Dear Shareholders,

Dr. Nikolaus von Bomhard
Chairman of Munich Re's
Board of Management

A year ago, in my outlook for the financial year 2007, I wrote that I would prefer to be able to report a "3" before the decimal point to you again one year hence. In fact, it is almost a "4". The Munich Re Group has thus clearly been successful with its business model – to an ever-growing extent over the past few years.

With a profit of €3.9bn, we have not only easily surpassed our previous record (€3.5bn for 2006), but have even outperformed our profit guidance for 2007, which we raised to €3.5–3.8bn in August 2007. As Munich Re shareholders, you benefit directly from this high profit: at the Annual General Meeting, we will propose that the dividend per share be increased from last year's level of €4.50 to €5.50, meaning that Munich Re will distribute €1.1bn (988m) to its shareholders. The resultant dividend yield puts us in the top group of DAX companies. But that is not all: we are keeping our equity lean and ensuring that capital we cannot employ with sufficient profitability in our business is returned to our shareholders via share buy-backs. Over the past 14 months, we have repurchased shares with a total value of €3bn, and we intend to buy back more shares with a volume of at least €3bn by the end of 2010.

In other words, for you as shareholders, the Munich Re Group's business strategy is paying off. And the Board of Management intends to see it stays that way. That, in particular, is one of the aims of our Changing Gear programme for profitable growth, which we launched in 2007.

All our fields of business contributed substantially to last year's record profit. And our very positive overall performance is not diminished by the fact that the profit for the year benefited from one-off income of around €400m due to the German tax reform and from an above-average investment result of €9.3bn. I attach particular importance in our operative business to the vision and the results being right, and I can say unreservedly that they are.

In property-casualty reinsurance, we bettered our combined-ratio target of 97%, achieving a figure of 96.4% even though the costs for natural catastrophe losses increased compared with 2006 and returned to the average level expected, i.e. 5% of net earned premiums. In life and health reinsurance, we improved our result for the year substantially to €725m and grew the value added by our new business to €277m. The initiatives we have embarked on with Changing Gear are designed to ensure that our reinsurance business continues to develop positively in a competitive environment. Our experience with the successful renewal of around two-thirds of our property-casualty reinsurance treaties at 1 January 2008 confirmed our ability to keep on course with our disciplined, profit-focused underwriting.

In primary insurance – and here I am thinking especially of ERGO, which provides around 95% of our premium volume in this segment – the direction and the results are also right. ERGO's excellent profit of €0.8bn is once again above-target, and has been accompanied by satisfying, profitable growth: the premium income written by the primary insurers was up 3.2% year on year to €17.3bn. Particularly in ERGO's international expansion, we are beginning to reap the rewards of our strategy based on purposefully utilising diversification effects and synergies between primary insurance and reinsurance.

A word about the current turbulence on the global credit and financial markets, triggered by the crisis in the US market for subprime mortgages. We provided for extensive transparency at a very early stage, making clear that the subprime issue only resulted in relatively low costs for us – an initial estimate we were later able to confirm. This is certainly thanks in large measure to our pronounced scepticism towards the general assessment of credit risks. We believe that the risk spreads have almost always been too low in recent years, which is why we took such a restrained approach, especially to structured credit products. The relatively low impact of the crisis on us reflects this fact.

I think that such a risk-conscious approach is appropriate for an insurer, and especially a reinsurer, given that our core service – the promise of insurance cover – is to improve our clients' risk situation. In order to continue providing this service on a sustained basis, we must be among the best in assessing, evaluating and managing risks. It is the only way to "turn risk into value", as we say.

What do I expect for the business year 2008? Our financial goals are again ambitious in the current year. With another RORAC target of at least 15% and against the backdrop of increasing competition in reinsurance, we are aiming at a consolidated result of €3.0–3.4bn, which is around €200m more than the €2.8–3.2bn range set a year ago for 2007. We can achieve this excellent result by resolutely pursuing our strategy geared to sustained profitability and, as a primary insurer and reinsurer, selectively exploiting the opportunities that the global risk market presents.

Yours sincerely,

Dr. Nikolaus von Bomhard
Chairman of Munich Re's Board of Management

Key figures (IFRS)

Munich Re Group

		2007	2006[1]	2005[1]	2004	2003
Gross premiums written	€bn	37.3	37.4	38.2	38.1	40.4
Operating result	€m	5,078	5,477	4,143	3,025	1,284
Taxes on income	€m	808	1,648	1,014	712	1,752
Consolidated result	€m	3,937	3,519	2,751	1,887	–468
Attributable to minority interests	€m	83	94	72	54	–34
Investments	€bn	176.2	176.9	177.2	178.1	171.9
Return on equity	%	15.3	14.1	12.5	9.5	–3.0
Equity	€bn	25.5	26.3	24.3	20.5	19.3
Valuation reserves not recognised in balance sheet[2]	€bn	0.6	1.9	2.6	3.2	1.8
Net technical provisions	€bn	152.4	153.9	154.0	154.3	147.5
Staff at 31 December		38,634	37,210	37,953	40,962	41,431

[1] Adjusted pursuant to IAS 8.
[2] Including amounts attributable to minority interests and policyholders.

Reinsurance[3]

		2007	2006	2005	2004	2003
Gross premiums written	€bn	21.5	22.2	22.3	22.4	24.8
Investments	€bn	81.9	85.0	87.0	81.2	80.4
Net technical provisions	€bn	55.4	59.6	63.4	58.2	56.7
Reserve ratio property-casualty	%	272.0	280.9	295.8	243.8	205.0
Large and very large losses (net)	€m	1,340	854	3,293	1,201	1,054
Natural catastrophe losses	€m	673	177	2,629	713	288
Combined ratio property-casualty	%	96.4	92.6	111.7	98.9	96.5

[3] Before elimination of intra-Group transactions across segments.

Primary insurance[4]

		2007	2006	2005	2004	2003
Gross premiums written	€bn	17.3	16.7	17.6	17.5	17.6
Investments	€bn	109.3	107.4	105.9	115.0	108.3
Net technical provisions	€bn	97.0	94.3[5]	90.8[5]	96.1	91.0
Reserve ratio property-casualty	%	121.4	124.9	113.1	116.8	114.5
Combined ratio property-casualty	%	93.4	90.8	93.1	93.0	96.4

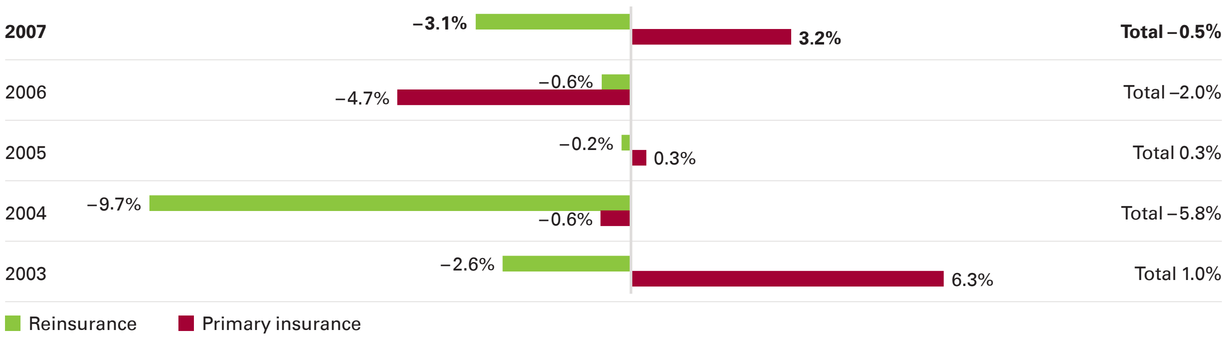
[4] Before elimination of intra-Group transactions across segments.
[5] Adjusted pursuant to IAS 8.

Our shares

		2007	2006	2005	2004	2003
Earnings per share	€	17.90	15.05[6]	11.74	8.01	–2.25
Dividend per share	€	5.50	4.50	3.10	2.00	1.25
Amount distributed	€m	1,124	988	707	457	286
Share price at 31 December	€	132.94	130.42	114.38	90.45	96.12
Munich Re's market capitalisation at 31 December	€bn	**29.0**	**29.9**	**26.3**	**20.8**	**22.1**

[6] Adjusted pursuant to IAS 8.

Premium growth



Important data on the financial year 2007

Overview

The Munich Re Group's business performed very successfully in the past year. With an excellent consolidated result of €3.9bn, we easily surpassed our original target corridor of €2.8–3.2bn, which we raised to €3.5–3.8bn at the half-year stage. We thus posted a record profit for the fourth year in a row. Whilst benefiting from a one-off tax effect, this achievement was mainly due to very good underwriting results from our primary insurers and reinsurers and to MEAG's successful asset management.

Key figures

		2007	2006	2005	2004	2003
Gross premiums written	€bn	37.3	37.4	38.2	38.1	40.4
Combined ratio						
Reinsurance property-casualty	%	96.4	92.6	111.7	98.9	96.5
Primary insurance property-casualty	%	93.4	90.8	93.1	93.0	96.4
Result before amortisation and impairment losses of goodwill	€m	5,089	5,481[1]	4,150	3,369	1,971
Operating result	€m	5,078	5,477[1]	4,143	3,025	1,284
Consolidated result	€m	3,937	3,519[1]	2,751	1,887	–468

[1] Adjusted pursuant to IAS 8.

Outstanding result in reinsurance

In the past year, the reinsurance segments life and health and property-casualty accounted for €0.7bn (0.6bn) and €2.6bn (2.1bn) of the consolidated result respectively. The overall profit for reinsurance was thus 23.0% higher than in the previous year. Unlike in 2006, when we were largely spared severe natural catastrophe losses, the loss ratio for 2007 included 5.0 (1.3) percentage points attributable to natural catastrophes. We nevertheless achieved a very good combined ratio of 96.4% (92.6%). Besides this, we recorded a good performance in life and health business and an excellent investment result. We were thus able to clearly surpass our targets, not least because we remained true to our underwriting principle of "profit before growth". Other major success factors include our risk management and our models for evaluating loss potentials, whose continual refinement has top priority for us.

Key figures

		2007	2006	2005	2004	2003
Gross premiums written:						
Life and health	€m	7,299	7,665	7,811	7,540	6,876
Property-casualty	€m	14,224	14,551	14,547	14,857	17,919
Loss ratio health	%	72.0	68.5	62.3	65.6	65.7
Loss ratio property-casualty	%	67.9	64.7	83.5	71.2	69.6
Thereof natural catastrophes	Percentage points	5.0	1.3	19.4	5.0	1.8
Expense ratio health	%	26.4	27.8	30.7	30.9	30.5
Expense ratio property-casualty	%	28.5	27.9	28.2	27.7	26.9
Combined ratio health	%	98.4	96.3	93.0	96.5	96.2
Combined ratio property-casualty	%	96.4	92.6	111.7	98.9	96.5
Consolidated result life and health	€m	725	561	977	432	262
Consolidated result property-casualty	€m	2,589	2,134	420	1,234	1,370

Reinsurance result

	€m	2007	2006	2005	2004	2003
Operating result		4,159	4,408	2,389	2,642	2,606
Consolidated result		3,314	2,695	1,397	1,666	1,632

At 9.3%, primary insurance above target

Our primary insurers developed very positively in 2007. In the first six months of the year, we were able to raise our profit guidance for 2007 from the €600–750m originally aimed at to around €900m, a figure we surpassed by a further 9.3%. The consolidated result for the period January to December 2007 was a very good €984m (1,045m), with premium income totalling €17.3bn (16.7bn). This favourable development was attributable not only to our positive underwriting but also to gains on the disposal of real estate and shares.

Key figures

		2007	2006[1]	2005	2004	2003
Gross premiums written:						
Life and health	€m	11,647	11,606	12,330	12,324	12,558
Property-casualty	€m	5,639	5,147	5,242	5,202	5,082
Loss ratio property-casualty	%	59.4	55.8	57.8	57.5	60.2
Expense ratio property-casualty	%	33.7	33.8	33.5	33.8	35.4
Combined ratio property-casualty	%	93.1	89.6	91.3	91.3	95.6
Combined ratio legal expenses insurance	%	94.5	95.3	99.8	98.9	99.2
Combined ratio property-casualty, including legal expenses insurance	%	93.4	90.8	93.1	93.0	96.4
Consolidated result life and health	€m	358	319	594	25	–960
Consolidated result property-casualty	€m	626	726	585	292	–131

[1] Adjusted pursuant to IAS 8.

Very good investment result

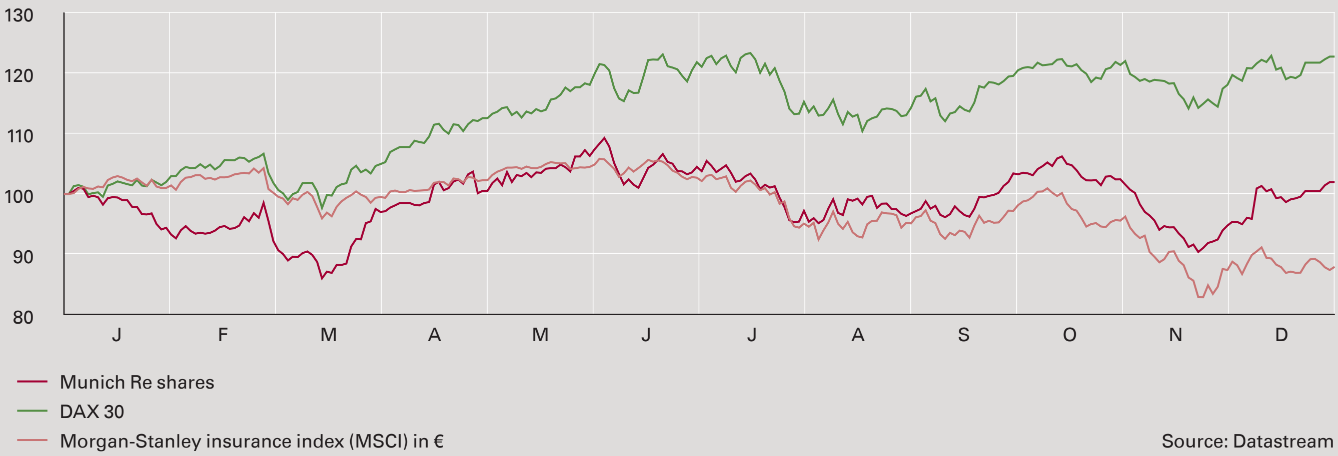
We earned a very good investment result of €9.3bn (9.0bn), an increase of 3.3% on the previous year. One of the main reasons for the improvement in the result was gains on the sale of a package of German real estate, as well as higher regular income from interest-bearing investments. Moreover, we further diversified our equities portfolio. Compared with the previous year, Group investments fell slightly by €0.7bn to €176.2bn, equivalent to a reduction of 0.4%.

Slight gain in share price

Munich Re's share price increased by 1.9% in a difficult market environment, where insurance company stocks were among the biggest losers after the banking sector in the stock market year 2007. The MSCI insurance index fell by 11.9% over the course of the year, the downward spiral on the international stock exchanges being triggered mainly by the subprime crisis.

Since Munich Re was only marginally affected by the subprime crisis, our shares were able to detach themselves from the negative sector trend. This helped the shares to advance to €132.94 by the end of the year.

Share price performance 1 January 2007 = 100



Source: Datastream

Important dates 2008/2009

17 April 2008	Annual General Meeting
18 April 2008	Dividend payment
8 May 2008	Interim report as at 31 March 2008
6 August 2008	Interim report as at 30 June 2008
6 August 2008	Half-year press conference
7 November 2008	Interim report as at 30 September 2008
26 February 2009	Balance sheet press conference for 2008 financial statements (preliminary figures)
22 April 2009	Annual General Meeting
23 April 2009	Dividend payment
6 May 2009	Interim report as at 31 March 2009
4 August 2009	Interim report as at 30 June 2009
4 August 2009	Half-year press conference
5 November 2009	Interim report as at 30 September 2009

Service for investors and analysts

If you have general questions on Munich Re shares, please use our shareholder hotline:
Tel.: (0 18 02) 22 62 10 (6 cents per call from the Deutsche Telekom network)
E-mail: shareholder@munichre.com

Disclaimer

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The joy of winning – Five articles in the Munich Re Group Annual Report illustrate the intelligence and technique behind Munich Re's record-breaking performances, its fitness in competition, its boldness and resolve in developing innovative solutions, and its will to succeed: www.munichre.com

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