Munich Re Group
Quarterly financial statements as at 30.6.2007
Changing Gear – A first interim status report

Media conference

Nikolaus von Bomhard
Lothar Meyer
Jörg Schneider
Torsten Jeworrek

6 August 2007
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**Overview**

Nikolaus von Bomhard

**10 years of ERGO – Excellently positioned for the future**

Lothar Meyer

**Financial reporting for the first half of 2007**

Jörg Schneider

**Renewals in reinsurance at 1 July 2007**

Torsten Jeworrek

**Changing Gear**

**A – Growth initiatives in reinsurance**

Torsten Jeworrek

**B – Best in class**

**C – Capital efficiency programme**

Nikolaus von Bomhard

**Changing Gear – The change process at Munich Re**
Munich Re at a glance

- Despite Kyrill, half-year result fully within planned range; combined with positive tax effects, this makes another record profit achievable for 2007
- High profitability after three years of consolidation
- Focus now increasingly on profitable growth
- First project concepts are ready
- Implementation is following step by step
- Consistent capital management effectively advanced
- Hybrid bond placed, second share buy-back started

Half-year profit of €2.1bn reflects discipline
Changing Gear successfully launched
Profit guidance for the year increased to €3.5–3.8bn

Overview
Changing Gear
Initiatives successfully launched – First interim status report

Earnings per share average growth p.a. of over 10% (2007–2010)
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**10 years of ERGO**

**Excellently positioned for the future**

**ERGO – One entity**

- Joint client service (2004)
- Restructuring of sales (2005)
- Establishment of Board Division for Sales (2007)
- Formation of ITERGO, development of ERGO computer centre (from 2000)
- Joint back office (completed with integration of DKV in April 2007)

... with strong brands ...

... and a competitive edge thanks to single back office ....
10 years of ERGO
Overarching operation model established

... and lean processes

Customers/Sales force

First level (80%)
- Document processing
  - Indexing
  - Automatic processing

Second level (20%)
- Customer service
  - Cross-line for clients and sales
  - Mostly one-step processing

Life
Health
P-C
Legal
expenses

Claims/benefits
Applications/contract

Customers/Sales force

Primary insurance
10 years of ERGO
Strengthening distribution through partnerships in Germany

Expansion of exclusive cooperation with HVB (2001)

Acquisition of direct insurer KQV (2002), joint venture KQFS

Partnerships with statutory health insurers (2003)
- Acquisition of Gerling and Zurich Kranken (2004)
- Cooperation with Deutsche Bank in the field of health

Cooperation with BMW (2005)
10 years of ERGO

ERGO growing in international business

- Share of foreign business has grown from 8% (1997) to 21% (2007)
- A global market for risks – Munich Re strongly positioned with ERGO
- ERGO benefits from Munich Re's reputation and market position
- Focus on strongly growing international markets

Acquisitions in Poland, the Baltic States and Italy (2000)
Acquisition of Ísviçre in Turkey (2006)
Expansion of UCI cooperation in central/eastern Europe (2007)

ERGO abroad
- 24 countries
- 18 million clients
- Around 8,000 independent insurance agents

ERGO Germany
- 15 million clients
- Over 14,000 independent insurance agents

Focus on Europe and Asia

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Changing Gear – The change process at Munich Re
Financial reporting for the first half of 2007

Overview

Excellent half-year despite above-average NatCat activity

GROUP

Gross premiums written

Q1–2 2006: 19,063
Q1–2 2007: 18,928

Q1–2 2006: 19,063
Q1–2 2007: 18,928

% change:

Q1–2 2007 vs. Q1–2 2006

GROUP

Investment result

Q1–2 2006: 4,803
Q1–2 2007: 5,646

Q1–2 2006: 4,803
Q1–2 2007: 5,646

% change:

Q1–2 2007 vs. Q1–2 2006

GROUP

Equity

30.06.2007: 25.3

Q1–2 2006: 26.3
Q1–2 2007: 25.3

% change:

Q1–2 2007 vs. Q1–2 2006

GROUP

Group result

Q1–2 2006: 2,127
Q1–2 2007: 2,132

Q1–2 2006: 2,127
Q1–2 2007: 2,132

% change:

Q1–2 2007 vs. Q1–2 2006

Reinsurace

Property-casualty

6,822 (36.6%) (▲ -2.6%)

Primary insurance

Property-casualty

3,139 (16.6%) (▲ +10.6%)

Life: 2,722 (14.4%) (▲ -7.9%)

Primary insurance

Life: 2,589 (15.7%) (▲ -5.0%)

Health: 581 (3.1%) (▲ +0.3%)

Primary insurance

Health: 2,695 (14.2%) (▲ +0.0%)

Financial reporting for the first half of 2007

Premium development

Stable premiums despite weaker US dollar

Gross premiums written Q1–2 2006: 19,063
Gross premiums written Q1–2 2007: 18,928

Foreign exchange effects: -438
Divestment/Investment: 185
Organic change: 118

Stable premiums despite weak US dollar

Strong underlying business – 8.1%-pts. NatCat impact
Comfortably within assumptions

Rol of 6.3% due to favourable capital markets
Only slight decrease despite share buy-back and dividend
At record level of previous year

1 Adjusted due to IAS 8.
Consolidated result

Strong profitability in all segments

<table>
<thead>
<tr>
<th>Segment</th>
<th>Q1 2007</th>
<th>Q2 2007</th>
<th>Q1–2 2006</th>
<th>Q1–2 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reinsurance life and health</td>
<td>172</td>
<td>229</td>
<td>327</td>
<td>401</td>
</tr>
<tr>
<td>Reinsurance property-casualty</td>
<td>626</td>
<td>895</td>
<td>1,428</td>
<td>1,521</td>
</tr>
<tr>
<td>Primary insurance life and health</td>
<td>56</td>
<td>43</td>
<td>144</td>
<td>99</td>
</tr>
<tr>
<td>Primary insurance property-casualty</td>
<td>194</td>
<td>117</td>
<td>302</td>
<td>311</td>
</tr>
<tr>
<td>Asset management</td>
<td>34</td>
<td>13</td>
<td>27</td>
<td>47</td>
</tr>
<tr>
<td>Consolidation</td>
<td>-108</td>
<td>-139</td>
<td>-102</td>
<td>-247</td>
</tr>
<tr>
<td>Consolidated result</td>
<td>974</td>
<td>1,158</td>
<td>2,127</td>
<td>2,132</td>
</tr>
</tbody>
</table>

1 Adjusted due to IAS 8.

Financial reporting for the first half of 2007

Investments

Well balanced portfolio with limited credit risk exposure

Asset allocation

- Fixed-interest: 54.9%
- Land and buildings: 2.9%
- Shares, equity funds and participating interests: 14.9%
- Miscellaneous: 9.8%
- Loans: 17.5%
- Thereof in €bn:
  - ABS: 1.7
  - CDO & CLO: 0.7
  - MBS: 5.5
  - Thereof Subprime exposure in €bn:
    - AAA: 0.4
    - AA: 0.2
    - A: 0.0
    - BBB: 0.0
    - Sub-investment grade: 0.0

Total €179bn

€7.9bn

€0.6bn

1 After taking equity derivatives into account: 13.1%. As at 30 June 2007.
Financial reporting for the first half of 2007

Return on investment

Extremely good due to high regular income and gains from disposal

<table>
<thead>
<tr>
<th>Q1–2 2007</th>
<th>in €m</th>
<th>annualised Return¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular income</td>
<td>4,285</td>
<td>4.8%</td>
</tr>
<tr>
<td>Other income/expenses</td>
<td>−212</td>
<td>−0.2%</td>
</tr>
<tr>
<td>Gains/losses on the disposal of investments</td>
<td>2,013</td>
<td>2.2%</td>
</tr>
<tr>
<td>Write-downs/write-ups of investments</td>
<td>−440</td>
<td>−0.5%</td>
</tr>
<tr>
<td>Investment result</td>
<td>5,646</td>
<td>6.3%</td>
</tr>
</tbody>
</table>

Interest-rate development (yield on ten-year German government bonds)

Including variation in reserves:
- Change in total reserves²: −4,583 (−5.1%)
- Total income: 1,063 (1.2%)

¹ Return on quarterly weighted investments (market values) in % p.a.
² On- and off-balance-sheet reserves.

Financial reporting for the first half of 2007

Endorsement of the sustained profitability of our business

- High NatCat exposure in 1st half-year: 8.1 percentage points – mainly due to Kyrill
- Man-made losses significantly lower: 1.8 percentage points
- Strong profitability of basic business

- Half-year development also affected by Kyrill
- Otherwise excellent ratios
### Equity

**Profit offsets impact from share buy-backs and dividend payment**

<table>
<thead>
<tr>
<th>Changes</th>
<th>€m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividend</td>
<td>-668</td>
</tr>
<tr>
<td>Unrealised gains/losses²</td>
<td>-772</td>
</tr>
<tr>
<td>Exchange rates</td>
<td>-54</td>
</tr>
<tr>
<td>Share buy-backs</td>
<td>-1,302</td>
</tr>
<tr>
<td>Other</td>
<td>-6</td>
</tr>
<tr>
<td><strong>Equity 31.12.2006¹</strong></td>
<td>26,320</td>
</tr>
<tr>
<td><strong>Consolidated result</strong></td>
<td>2,132</td>
</tr>
<tr>
<td><strong>Equity 30.06.2007</strong></td>
<td>25,330</td>
</tr>
</tbody>
</table>

¹ Adjusted due to IAS 8.
² On other securities.

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### Financial reporting for the first half of 2007 – Outlook 2007

**Target and assumption set**

**Full-year net profit guidance increased**

<table>
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<tr>
<th>Financials</th>
<th>Reinsurance</th>
<th>Primary insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross premiums written</td>
<td>€21–21.5bn</td>
<td>€17–17.5bn</td>
</tr>
<tr>
<td>Currency environment</td>
<td>stable</td>
<td></td>
</tr>
<tr>
<td>Normal major losses</td>
<td>NatCat 7%</td>
<td>NatCat n.a.</td>
</tr>
<tr>
<td>Combined ratio property-casually</td>
<td>below 97%</td>
<td>below 95%</td>
</tr>
<tr>
<td>European Embedded Value Earnings</td>
<td>in the range of 8–9%</td>
<td>in the range of 8–9%</td>
</tr>
<tr>
<td>Return on investment</td>
<td>5.0%</td>
<td></td>
</tr>
<tr>
<td>Tax environment</td>
<td>Incl. one-off tax benefit ~€400m</td>
<td></td>
</tr>
<tr>
<td>Net profit</td>
<td>€1.0–3.2bn</td>
<td>around 3.8bn</td>
</tr>
<tr>
<td>Consolidated net profit for the Group</td>
<td>€3.5–3.8bn</td>
<td></td>
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Assumption changes
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**Renewals in reinsurance at 1 July 2007** | Torsten Jeworrek

### Changing Gear

- **A** – Growth initiatives in reinsurance | Torsten Jeworrek
- **B** – Best in class
- **C** – Capital efficiency programme | Nikolaus von Bomhard

### Changing Gear – The change process at Munich Re

### Renewals in reinsurance at 1 July 2007

#### July renewals

**Munich Re benefits from flight to quality**

<table>
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<th>Split of renewed portfolio by lines of business</th>
<th>Split of renewed portfolio by regions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Casualty</td>
<td>Credit</td>
</tr>
<tr>
<td>39%</td>
<td>3%</td>
</tr>
<tr>
<td>Marine</td>
<td>Property</td>
</tr>
<tr>
<td>5%</td>
<td>53%</td>
</tr>
</tbody>
</table>

#### Renewal results

**North America**
- Shift of NatCat capacities leads to additional business in a still profitable market

**Latin America**
- Market consolidation and innovative solutions lead to growth

**Global**
- Use of expertise and strong market position

**Asia Pacific (Australia)**
- Stable portfolio despite competitive environment and consolidation amongst our client base

Financial strength and innovative approach supports new business with adequate margins in a softening market
### July renewals – Changes in premium

**New business opportunities**

<table>
<thead>
<tr>
<th>in %</th>
<th>100</th>
<th>–13.1</th>
<th>86.9</th>
<th>+1.4</th>
<th>+20.8</th>
<th>109.1</th>
</tr>
</thead>
<tbody>
<tr>
<td>in €m</td>
<td>1,085</td>
<td>–142</td>
<td>943</td>
<td>+15</td>
<td>+225</td>
<td>1,183</td>
</tr>
</tbody>
</table>

- 10% of total treaty property-casualty business was up for renewal
- Premium increase mainly due to US business
- Pure price change on total book (incl. cancelled and new): Unchanged

<table>
<thead>
<tr>
<th>Total renewable July 2007</th>
<th>Cancelled</th>
<th>Renewed</th>
<th>Increase on renewable</th>
<th>New business</th>
<th>Estimated outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in renewed:</td>
<td>1.6%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Thereof</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pure price</td>
<td>–1.7%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exposure</td>
<td>–2.7%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share</td>
<td>6.0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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  - Lothar Meyer
- Financial reporting for the first half of 2007
  - Jörg Schneider
- Renewals in reinsurance at 1 July 2007
  - Torsten Jeworrek

**Changing Gear**

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  - Nikolaus von Bomhard
- Changing Gear – The change process at Munich Re
Changing Gear: Projects being implemented step by step

- 15 initiatives for profitable growth are being realised

Projects reflect Munich Re's special risk expertise such as:
- Complex IT covers
- Risk protection for renewable energies
- Microinsurance

Reinsurance (RI) and primary insurance (PI) premium growth worldwide

**Reinsurance (RI) and primary insurance (PI) premium growth worldwide**

<table>
<thead>
<tr>
<th>Year</th>
<th>RI Growth (CAGR)</th>
<th>PI Growth (CAGR)</th>
<th>Expected RI market distribution 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>~4%</td>
<td>~4%</td>
<td>Latin America</td>
</tr>
<tr>
<td>2005</td>
<td>~3-4%</td>
<td>~17-18%</td>
<td>Africa/Middle East</td>
</tr>
<tr>
<td>2015</td>
<td>~39%</td>
<td>~36%</td>
<td>Asia/Australasia</td>
</tr>
</tbody>
</table>

A key premise of Changing Gear is selective utilisation of market opportunities

Source: Munich Re Economic Research; 1 Average growth rate p.a.
Example: Getting closer to the original risks

Acquisition of Bell & Clements (B&C)

Previous cooperation with B&C

<table>
<thead>
<tr>
<th>Year</th>
<th>Premiums in €m¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>20</td>
</tr>
<tr>
<td>2004</td>
<td>50</td>
</tr>
<tr>
<td>2005</td>
<td>100</td>
</tr>
<tr>
<td>2006</td>
<td>200</td>
</tr>
<tr>
<td>2007e</td>
<td>250</td>
</tr>
<tr>
<td>2008e</td>
<td>275</td>
</tr>
<tr>
<td>2009e</td>
<td>300</td>
</tr>
</tbody>
</table>

CAGR: 14 %

2007: Continuation of the cooperation with the complete acquisition of Bell & Clements

Reasons for the acquisition of B&C

- Component of our strategy to bring reinsurance closer to the original risks; developing a specific, profitable and clearly defined portfolio
- Securing a profitable book of business that Munich Re has developed in close partnership with B&C – with significant potential for organic growth
- Platform for consolidation and expansion of this business

¹ Munich Re’s premium share from cooperation with B&C including Three Lions joint venture.

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Changing Gear – The change process at Munich Re
Munich Re’s complete organisation is fully aligned to policy of risk-adequate pricing.

Personal commitment of Board and top management.

Market-share development in conformity with market cycle and results in recent years give clear indication of initial success of new approach.

Why we can view the future optimistically:

- Munich Re’s complete organisation is fully aligned to policy of risk-adequate pricing.
- Personal commitment of Board and top management.
- Market-share development in conformity with market cycle and results in recent years give clear indication of initial success of new approach.

Capital management 2007

Further increase in capital efficiency:

- Q1 2007: €750m share buy-back executed
- Since Q2 2007: €2bn buy-back almost halfway through
- Q2 2007: €1.5bn hybrid bond issued

For financial year 2007:

- >€1bn dividend
Changing Gear!

Profitable growth

Disclaimer

This report contains forward-looking statements that are based on current assumptions and forecasts of the management of Munich Re. Known and unknown risks, uncertainties and other factors could lead to material differences between the forward-looking statements given here and the actual development, in particular the results, financial situation and performance of our company. The Company assumes no liability to update these forward-looking statements or to conform them to future events or developments.