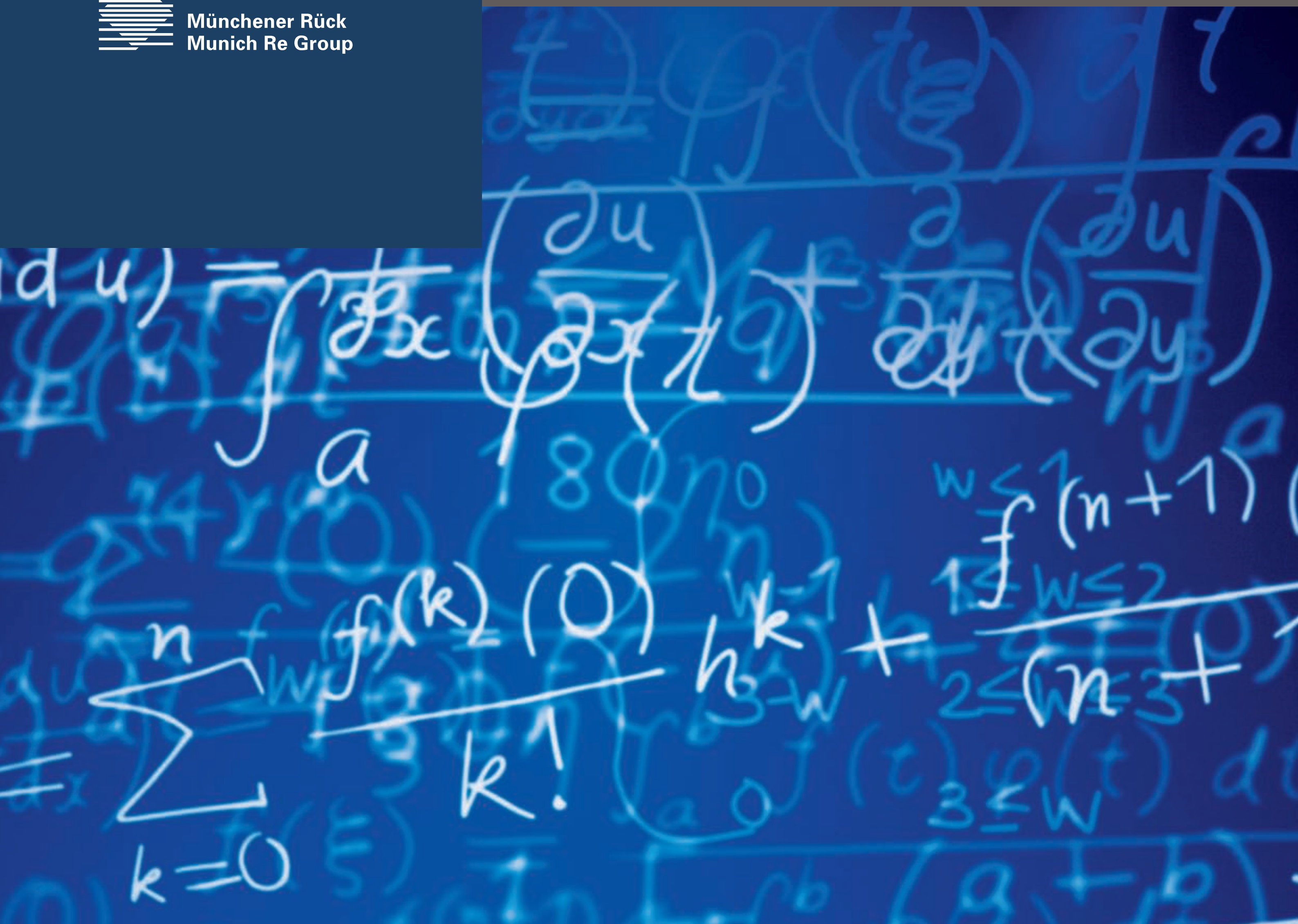
Munich Re Group
Information on the financial year 2008

Münchener Rück
Munich Re Group



Dear Shareholders,

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

2008 was probably the most turbulent year in Munich Re's recent history. Unparalleled upheavals on the financial markets and substantial major losses in reinsurance impacted our result.

Against this background, we are presenting figures to you which I could not be satisfied with under normal circumstances, given that we did not achieve our ambitious targets for 2008. The fact is, though, that our objectives for the past business year were set under conditions that ceased to exist months ago. And I fear it will be some considerable time before we can again take such assumptions as a basis for our planning. Therefore it is only logical, in view of the new reality, to abandon our earnings per share target for the year 2010. But we are adhering to our objective of a 15% return on risk-adjusted capital (RORAC) over the cycle, even though this appears much more ambitious now than it did one or two years ago.

With a profit of €1.5bn, however, we have no reason at all to be despondent. In the given situation, this profit for the year is a respectable result, especially in direct comparison with our competitors. In other words, Munich Re has come through the crisis relatively well so far, an achievement reflected in our share price. We have our strategy to thank for this and the fact that we have "practised what we preach" in our risk management.

Our integrated business model, focused on risks from reinsurance, primary insurance and the international healthcare market, has proved its effectiveness. It has also been endorsed, in my view, by the activities of some of our competitors who, having increasingly extended their business models beyond the borders of insurance in recent years, are now rethinking their strategies. Unreasonably high result expectations in the financial sector have been disappointed; sustained returns on equity of 20% or more cannot be earned if a sensible approach is taken to risk.

Which brings us back to risk management: in January 2009, the German Federal Financial Supervisory Authority published its circular on the minimum supervisory requirements for the risk management of insurance companies. A draft had been available since the beginning of 2008, when we already met most of these requirements, having devoted ourselves intensively to this topic since 2004. In order to satisfy the standards in every respect, we set about taking the measures still necessary without delay. In the light of the financial crisis, I can say that our efforts over many years have paid off – our risk management has passed an extremely severe test.

And you, ladies and gentlemen, are evidently convinced of this as well. In these difficult times, you have remained loyal to us. I thank you sincerely, also on behalf of my colleagues on the Board of Management and all staff in the Group. We are delighted that we will be able to propose an unchanged dividend of €5.50 per share at the Annual General Meeting.

In the first few months of 2009, the crisis has continued to hold the markets firmly in its grip: almost every day, we are confronted with reports of new record losses and the threat of insolvencies at leading companies. The future development of the economy is uncertain at present. You can read our assessment of the perspectives and the outlook for the capital markets later on in this annual report, in the prospects section of the management report.

Times will remain difficult. But I am not going to join the general chorus of lamentation. We are guardedly optimistic of weathering this crisis well, having created the best possible foundations for doing so. We do not have to change the basic points of our strategy, for instance, and can continue to realise projects that we launched at the end of 2007.

These projects included an initiative of our Changing Gear programme for profitable growth which has led to an extensive restructuring of our reinsurance group. The first step was to redefine the tasks of our central divisions and optimise their interfaces with each another and with the operational divisions. A short time later, we gave our operational units an even greater client focus. Both projects have now been concluded. The renewal of a large portion of our treaty business at 1 January 2009 took place using the new structure. We reported the satisfactory outcome to the public on 4 February 2009.

In ERGO's case, we last year initiated a project for constantly improving its competitiveness. ERGO is remaining true to its strategy of "One entity with strong brands" and is exploiting the economies of scale that result from the combination of business segments and central functions in the ERGO Group. This project will significantly reduce the expense ratio in due course and ensure the necessary high quality of products and client service.

We cannot determine our market environment, but we can prepare ourselves for it. With our financial strength and our risk-carrying capacity, we are ideally equipped. In a setting characterised by great uncertainty, this should prove a competitive advantage and open up opportunities for profitable new business for us. We are renowned for our risk knowledge and have strong marketing teams for business with private clients. We can deploy various risk carriers and service providers as needed to offer our clients appropriate solutions. We thus systematically cover the individual elements of the value chain in the insurance industry, as illustrated particularly clearly in the business field of International Health. And finally we have the financial wherewithal to assume a shaping role in the expected consolidation of the markets, always provided the crisis does not take an even more dramatic turn. You can rely on us to continue applying the care and discipline in our business to which you are accustomed and rightly expect from us.

Our maxim of profitability before growth remains unchanged. I will neither make any concessions in this respect nor tolerate any deviations. Because next year I again want to present a result to you that underlines Munich Re's leading status in our industry.

Yours sincerely,

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

Key figures (IFRS)

Munich Re Group

		2008	2007[1]	2006[1]	2005	2004
Gross premiums written	€bn	37.8	37.3	37.4	38.2	38.1
Operating result	€m	3,262	5,057	5,477	4,143	3,025
Taxes on income	€m	1,373	801	1,648	1,014	712
Consolidated result	€m	1,528	3,923	3,519	2,751	1,887
Attributable to minority interests	€m	25	83	94	72	54
Investments	€bn	175.0	176.2	176.9	177.2	178.1
Return on equity	%	6.7	15.3	14.1	12.5	9.5
Equity	€bn	21.3	25.4	26.3	24.3	20.5
Valuation reserves not recognised in balance sheet[2]	€bn	2.3	0.6	1.9	2.6	3.2
Net technical provisions	€bn	157.2	152.4	153.9	154.0	154.3
Staff at 31 December		44,209	38,634	37,210	37,953	40,962

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

Reinsurance[1]

		2008	2007[2]	2006[2]	2005	2004
Gross premiums written	€bn	21.8	21.5	22.2	22.3	22.4
Investments	€bn	77.9	81.9	85.0	87.0	81.2
Net technical provisions	€bn	55.6	55.4	59.6	63.4	58.2
Reserve ratio property-casualty	%	270.5	272.0	280.9	295.8	243.8
Large and very large losses (net)[3]	€m	1,507	1,126	585	3,134	1,084
Natural catastrophe losses[3]	€m	832	634	139	2.603	713
Combined ratio property-casualty	%	99.5	96.4	92.6	111.7	98.9

[1] Before elimination of intra-Group transactions across segments.
[2] Adjusted pursuant to IAS 8.
[3] Previous years adjusted owing to a change in methodology.

Primary insurance[1]

		2008	2007	2006	2005	2004
Gross premiums written	€bn	17.4	17.3	16.7	17.6	17.5
Investments	€bn	114.3	109.3	107.4	105.9	115.0
Net technical provisions	€bn	101.6	97.0	94.3	90.8	96.1
Reserve ratio property-casualty	%	117.0	121.4	124.9	113.1	116.8
Combined ratio property-casualty	%	91.2	93.4	90.8	93.1	93.0

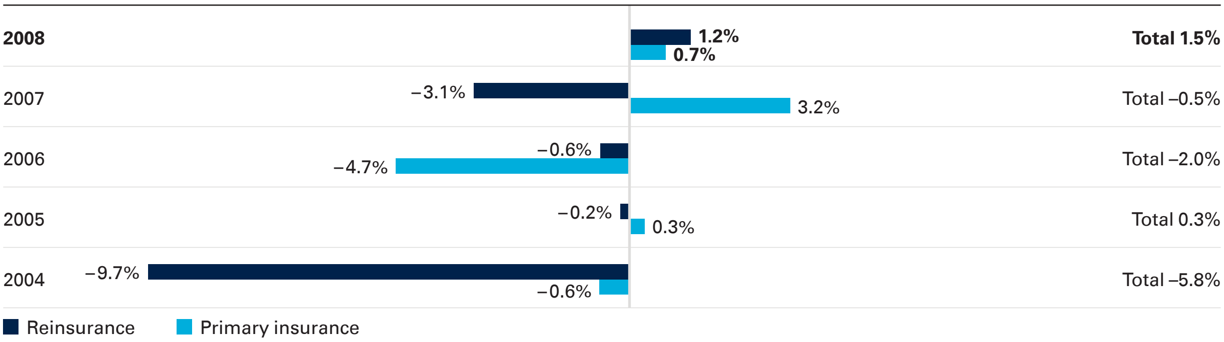
[1] Before elimination of intra-Group transactions across segments.

Our shares

		2008	2007[1]	2006	2005	2004
Earnings per share	€	7.48	17.83	15.05	11.74	8.01
Dividend per share	€	5.50	5.50	4.50	3.10	2.00
Amount distributed	€m	1,074	1, 124	988	707	457
Share price at 31 December	€	111.00	132.94	130.42	114.38	90.45
Munich Re's market capitalisation at 31 December[2]	€bn	**22.9**	**29.0**	**29.9**	**26.3**	**20.8**

[1] Adjusted pursuant to IAS 8.
[2] This includes own shares earmarked for retirement.

Premium growth



Important data on the financial year 2008

Overview The financial year 2008 proved difficult owing to the global financial crisis. With a consolidated result of €1.5bn, we fell well short of our original target corridor of €3.0–3.4bn, which we had already lowered at the half-year stage. This development is mainly due to the reduction in our investment result, which was significantly lower than originally expected because of the turmoil on the financial markets. Considering the challenging parameters, the results of our insurers and reinsurers were nevertheless satisfactory overall.

Key figures

		2008	2007[1]	2006	2005	2004
Gross premium written	€bn	37.8	37.3	37.4	38.2	38.1
Combined ratio						
Reinsurance property-casualty	%	99.5	96.4	92.6	111.7	98.9
Primary insurance property-casualty (including legal expenses insurance)	%	91.2	93.4	90.8	93.1	93.0
Result before amortisation and impairment losses of goodwill	€m	3,429	5,068	5,481	4,150	3,369
Operating result	€m	3,262	5,057	5,477	4,143	3,025
Consolidated result	€m	1,528	3,923	3,519	2,751	1,887

[1] Adjusted pursuant to IAS 8.

Reinsurance In the past year, the reinsurance segment life and health accounted for €0.6bn (0.7bn) of the consolidated result, while the property-casualty segment contributed €1.8bn (2.6bn). The overall result for reinsurance in 2008 was thus 29.5% down on the previous year. The decrease is mainly attributable to the much lower result from investments, which in 2007 had benefited from the very favourable capital markets and high gains on disposals. Last year, by contrast, we had to make substantial write-downs in our equity portfolios. In addition, the expenditure for natural catastrophes in the property-casualty segment was once again high. Our operating result for reinsurance, which also includes the investment result, fell by 9.2% to €3.8bn (4.1bn). The combined ratio deteriorated to 99.5% (96.4%) in 2008. The share of natural catastrophes in the loss ratio was 6.2 (4.7) percentage points higher than in the previous year.

In life and health we recorded a solid result in 2008. Overall, our strict adherence to the underwriting principle of "profit before growth" continued to stand us in good stead.

Key figures

		2008	2007[1]	2006	2005	2004
Gross premiums written:						
Life and health	€m	7,130	7,293	7,665	7,811	7,540
Property-casualty	€m	14,652	14,224	14,551	14,547	14,857
Loss ratio health	%	76.0	72.0	68.5	62.3	65.6
Loss ratio property-casualty	%	69.6	67.9	64.7	83.5	71.2
Thereof natural catastrophes[2]	Percentage points	6.2	4.7	1.0	19.2	5.0
Expense ratio health	%	23.1	26.4	27.8	30.7	30.9
Expense ratio property-casualty	%	29.9	28.5	27.9	28.2	27.7
Combined ratio health	%	99.1	98.4	96.3	93.0	96.5
Combined ratio property-casualty	%	99.5	96.4	92.6	111.7	98.9
Consolidated result life and health	€m	573	714	561	977	432
Consolidated result property-casualty	€m	1,755	2,586	2,134	420	1,234

[1] Adjusted pursuant to IAS 8.
[2] Previous year adjusted owing to a change in methodology.

Reinsurance result

	€m	2008	2007[1]	2006	2005	2004
Operating result		3,756	4,138	4,408	2,389	2,642
Consolidated result		2,328	3,300	2,695	1,397	1,666

[1] Adjusted pursuant to IAS 8.

Primary insurance

Primary insurance business performed satisfactorily in 2008. As in reinsurance, however, we were unable to meet our result target for the year (€600–800m), because the investment result fell to €3.0bn (5.6bn). Our consolidated result in primary insurance in the year under review totalled €163m (984m). In property-casualty insurance including legal expenses business, we succeeded in achieving a combined ratio which, at 91.2%, was well within our target of 95%, despite the high claims costs from Winter Storm Emma and Windstorm Hilal. A further fall in the expense ratio played an appreciable part in this achievement. In life and health business, our result amounted to €7m (357m).

Key figures

		2008	2007	2006	2005	2004
Overall premium income	€bn	18.5	18.3	17.7	18.4	18.0
Gross premiums written						
Life and health	€m	11,495	11,647	11,606	12,330	12,324
Property-casualty	€m	5,916	5,639	5,147	5,242	5,202
Loss ratio property-casualty	%	58.8	59.4	55.8	57.8	57.5
Expense ratio property-casualty	%	31.8	33.7	33.8	33.5	33.8
Combined ratio property-casualty	%	90.6	93.1	89.6	91.3	91.3
Combined ratio legal expenses insurance	%	93.9	94.5	95.3	99.8	98.9
Combined ratio property-casualty, including legal expenses insurance	%	91.2	93.4	90.8	93.1	93.0
Consolidated result life and health	€m	7	358	319	594	25
Consolidated result property-casualty	€m	156	626	726	585	292

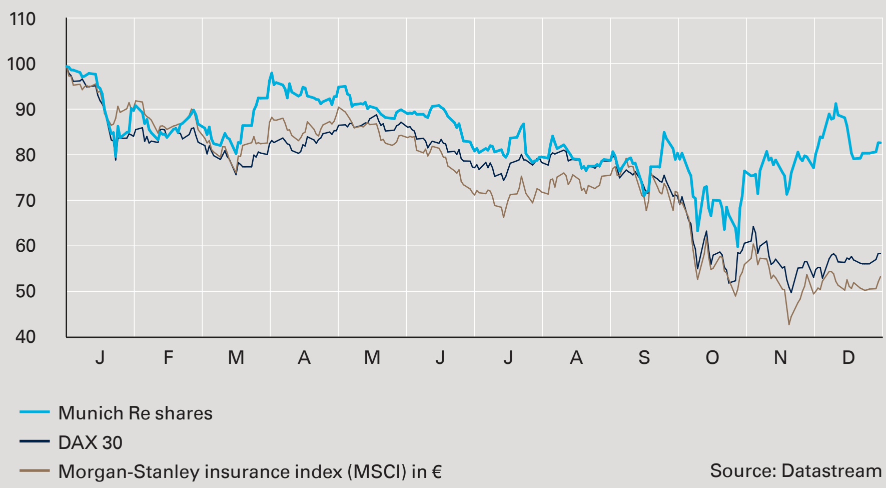
Investment result

Considering the turmoil on the financial markets, our investment result was respectable thanks to our balanced investment policy and the use of equity hedging instruments. The investment result of primary insurance and reinsurance contributed €5.8bn (9.3bn) to the Group result before participation of policyholders and tax. Compared with the excellent previous year's figure, this is equivalent to a decrease of 36.8%. At 3.4%, the return on investment (based on the average investment portfolio at market values) was distinctly below our long-term target of 4.5%. Key factors in this performance were lower capital gains than in the previous year and high write-downs we had to make in our equities portfolio because of the financial crisis.

Munich Re shares show impressive relative strength

Last year, the global stock markets suffered massive setbacks. The share prices of banks were especially badly hit, but insurance stocks were also caught in the downward spiral, in some cases suffering severe price losses. The European insurance index EURO STOXX Insurance fell by 45.2%, whilst the global MSCI insurance index lost 46% on a euro basis. It is therefore all the more gratifying that Munich Re's share price performance for the year showed only a comparatively moderate loss of 16.5%. Investors rewarded our prudent investment policy, with its lower equity-backing ratio and very limited involvement in the market for structured credit products.

Share price performance 1 January 2008 = 100



Source: Datastream

Important dates 2009/2010

2009	
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

2010	
25 February 2010	Balance sheet press conference for 2009 financial statements (preliminary figures)
28 April 2010	Annual General Meeting
29 April 2010	Dividend payment
7 May 2010	Interim report as at 31 March 2010
4 August 2010	Interim report as at 30 June 2010
4 August 2010	Half-year press conference
8 November 2010	Interim report as at 30 September 2010

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
(Note for callers from Germany: 6 cents per call from a German fixed network, with varying prices from German mobile phone networks)
E-mail: shareholder@munichre.com

Disclaimer

This document 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.

Knowledge at work – that is how Munich Re sees its operations. We concentrate our know-how on our core business: risks and their management. This year's annual report provides interesting insights into the Munich Re Group's different fields of business. More at www.munichre.com.

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