

MUNICH RE  
INFORMATION ON THE FINANCIAL YEAR 2009



## Dear Shareholders,



**Dr. Nikolaus von Bomhard**  
 Chairman of Munich Reinsurance  
 Company's Board of Management

In the initial months of 2009, the severest financial crisis for 80 years was at its height. Important companies in nearly all sectors were badly hit, and even whole economies faltered. Governments and central banks responded with massive support measures such as economic stimulus programmes and interest-rate cuts, preventing the imminent collapse of the financial markets and an even worse recession.

A year ago, I informed you that in 2009 we would again be aiming for a result that underlined Munich Re's leading status in our industry. In this we have succeeded. With a profit of €2.56bn, we have even slightly surpassed expectations. We have achieved our ambitious target of a 15% return on risk-adjusted capital (RORAC), posting a figure of 15.1%. In addition, we were able to strengthen our capital base last year, despite paying an attractive dividend for 2008 and buying back more shares.

So against the background of the difficult market environment, I am very satisfied. We want you to share in this success, which is why we will be proposing payment of an increased dividend of €5.75, up from €5.50, at the Annual General Meeting. With this payout, we want to make clear our conviction that our business model can deliver sustained earnings even in economically difficult times. And we want to thank our shareholders for the confidence they have shown in us.

In the past year, financial solidity and reliability were sought after more than ever. This was true in insurance business with end-customers and even more so in reinsurance. Many primary insurers – our clients in reinsurance – found their capital base temporarily weakened by the financial crisis. They were faced with the need to raise fresh capital if they wanted to keep writing the same amount of business. Together with our clients, we therefore devised risk transfer solutions that in many cases rendered capital increases unnecessary. This applied particularly in life reinsurance and the international health market. In return, we received attractive business – some guaranteed for a period of several years.

One of our particular successes was the acquisition of the Hartford Steam Boiler Group, which has enabled us to enhance our already strong position in the field of engineering insurance. But I will openly admit that we had expected to be able to exploit our financial strength even more in the crisis, be it in reinsurance or through further acquisitions. We were not able to achieve this objective to the desired extent. Generous accounting rules and the rapid recovery of the financial markets – due to state intervention – prevented our clients' demand for reinsurance increasing as much as we had anticipated. As far as potential acquisitions were concerned, we considered a large number of offers. However, as the prices asked for did not take sufficient account of the subdued economic prospects, we held back with acquisitions and developed our business through our own resources. We demonstrated last year that we are well positioned to do so: more than two-thirds of the increase in Group premium comes from organic growth.

In the business field of primary insurance, ERGO successfully turned its results around, more than doubling its profit in 2009 compared with the previous year. The combined ratio in property-casualty business once again remained well within the long-term target of 95%. Another pleasing aspect is that the efficiency programmes which have made considerable demands on ERGO employees in recent years are beginning to bear fruit. The effort has been worth it.

ERGO was also able to increase its premium income, mainly thanks to marked growth in its international business. In Turkey and eastern Europe, we have achieved satisfying development through organic growth. But acquisitions like Bank Austria Creditanstalt Versicherung also played their part. Despite the curbing effects of changes in exchange rates, our international primary insurance business now contributes more than one-fifth of ERGO's premium income. And ERGO has become a leading provider in yet more markets. In Germany, on the other hand, the picture was mixed: while we were able to grow in property-casualty business, development in life insurance was below expectations. ERGO's new brand presence will help us here.

Munich Re's strengths are its great financial solidity, outstanding risk knowledge and sophisticated risk management. We devise needs-oriented solutions for our clients and can draw on a broad marketing network. In the current year, we will continue to pursue our strategy of an integrated insurance group geared to sustained profitability. In so doing, we intend to take advantage of the opportunities with which the risk market presents us in a still uncertain environment. I am confident that we will again succeed in achieving our ambitious goals.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'N. von Bomhard', written in a cursive style.

**Nikolaus von Bomhard**  
Chairman of Munich Reinsurance Company's Board of Management

## Key figures (IFRS)<sup>1</sup>

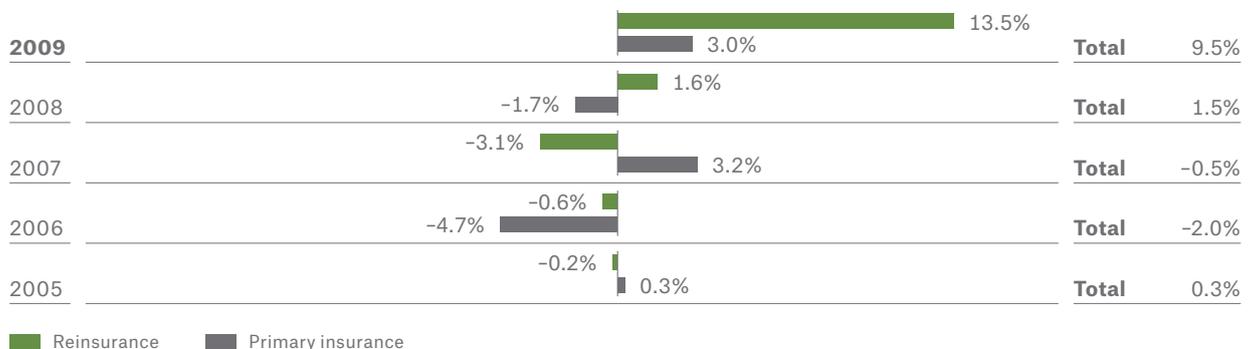
<b>Munich Re</b>		2009	2008	2007	2006	2005
Gross premiums written	€bn	41.4	37.8	37.3	37.4	38.2
Operating result	€m	4,721	3,834	5,573	5,877	4,156
Taxes on income	€m	1,264	1,372	801	1,648	1,014
Consolidated result	€m	2,564	1,579	3,923	3,519	2,751
Attributable to minority interests	€m	43	24	83	94	72
Investments	€bn	182.2	174.9	176.2	176.9	177.2
Return on equity	%	11.8	7.0	15.3	14.1	12.5
Equity	€bn	22.3	21.1	25.3	26.3	24.3
Valuation reserves not recognised in balance sheet <sup>22</sup>	€bn	3.2	2.5	0.8	1.9	2.6
Net technical provisions	€bn	163.9	157.1	152.4	153.9	154.0
Staff at 31 December		47,249	44,209	38,634	37,210	37,953

<b>Reinsurance<sup>31</sup></b>		2009	2008	2007	2006	2005
Gross premiums written	€bn	24.8	21.9	21.5	22.2	22.3
Investments	€bn	78.5	78.4	81.9	85.0	87.0
Net technical provisions	€bn	55.3	55.8	55.5	59.6	63.4
Reserve ratios property-casualty	%	272.7	271.9	272.0	280.9	295.8
Large and very large losses (net)	€m	1,157	1,507	1,126	585	3,134
Natural catastrophe losses	€m	196	832	634	139	2,603
Combined ratio property-casualty	%	95.3	99.4	96.4	92.6	111.7

<b>Primary insurance<sup>3</sup></b>		2009	2008	2007	2006	2005
Gross premiums written	€bn	17.5	17.0	17.3	16.7	17.6
Investments	€bn	119.5	114.0	109.3	107.4	105.9
Net technical provisions	€bn	108.7	101.4	96.9	94.3	90.8
Reserve ratios property-casualty	%	125.6	118.8	121.4	124.9	113.1
Combined ratio property-casualty	%	93.1	90.9	93.4	90.8	93.1

<b>Our shares</b>		2009	2008	2007	2006	2005
Earnings per share	€	12.95	7.74	17.83	15.05	11.74
Dividend per share	€	5.75	5.50	5.50	4.50	3.10
Amount distributed	€m	1,088	1,073	1,124	988	707
Share price at 31 December	€	108.67	111.00	132.94	130.42	114.38
Munich Re's market capitalisation at 31 December <sup>42</sup>	€bn	21.5	22.9	29.0	29.9	26.3

### Premium growth



<sup>1</sup> Previous year's figures adjusted pursuant to IFRS 3.62 (see "Consolidation") and to IFRS 8 and IAS 8 (see "Changes in accounting policies").

<sup>2</sup> Including amounts attributable to minority interests and policyholders.

<sup>3</sup> Before elimination of intra-Group transactions across segments.

<sup>4</sup> This includes own shares earmarked for retirement.

## Important data on the financial year 2009

**Overview** Munich Re's business performed well in the financial year, despite the still difficult macro-economic climate. Gross premium income rose by 9.5% year on year. We posted an operating result of €4,721m for 2009, an increase of 23.1%. This operating result comprises the technical result totalling €2,747m (2,756m) and the non-technical result amounting to €1,974m (1,078m).

**Reinsurance** Munich Re's reinsurance business performance was pleasing overall. Unlike in the previous year, we were largely spared major claims burdens from natural catastrophes. The share of natural catastrophes in the loss ratio was 1.4 (6.2) percentage points, appreciably lower than in the previous year, but we recorded a significant increase in man-made losses as a result of the financial crisis. The combined ratio amounted to 95.3% (99.4%) in 2009. The reinsurance segments life and health and property-casualty contributed €0.7bn (0.7bn) and €1.8bn (1.7bn) respectively to the consolidated result. The overall result for reinsurance was thus 6.5% higher than in the previous year, even though the figure for 2008 included an intra-Group dividend payment of €947m from ERGO to Munich Reinsurance Company. Our operating result for reinsurance, which includes the investment result, was up 8.9% to €4.2bn (3.8bn).

<b>Key figures</b>		2009	2008	2007	2006	2005
<b>Gross premiums written</b>						
Life and health	€m	9,742	7,130	7,293	7,665	7,811
Property-casualty	€m	15,081	14,739	14,224	14,551	14,547
<b>Loss ratio</b>						
Health <sup>1</sup>	%	81.0	76.0	72.0	68.5	62.3
Property-casualty	%	65.7	69.6	67.9	64.7	83.5
Thereof natural catastrophes <sup>2</sup>	Percentage points	1.4	6.2	4.7	1.0	19.2
<b>Expense ratio</b>						
Health <sup>1</sup>	%	19.0	23.1	26.4	27.8	30.7
Property-casualty	%	29.6	29.8	28.5	27.9	28.2
<b>Combined ratio</b>						
Health <sup>1</sup>	%	100.0	99.1	98.4	96.3	93.0
Property-casualty	%	95.3	99.4	96.4	92.6	111.7
<b>Operating result<sup>3</sup></b>						
Life and health	€m	1,175	930			
Property-casualty	€m	2,989	2,892			
<b>Consolidated result</b>						
Life and health	€m	728	705	714	561	977
Property-casualty	€m	1,827	1,695	2,586	2,134	420

<sup>1</sup> Excluding health business conducted like life insurance.

<sup>2</sup> 2005-2007 adjusted owing to a change in methodology.

<sup>3</sup> Not available for the financial years 2005-2007, since IFRS 8 was applied for the first time in the financial year 2009.

<b>Reinsurance result</b>		2009	2008	2007	2006	2005
€m						
Operating result <sup>1</sup>		4,164	3,822			
Consolidated result		2,555	2,400	3,300	2,695	1,397

<sup>1</sup> Not available for the financial years 2005-2007, since IFRS 8 was applied for the first time in the financial year 2009.

**Primary insurance**

In 2009, our primary insurance business still reflected the impact of the financial crisis. While the results in the first half of the year suffered from the effects of the capital market upheavals, the picture was more positive in the further course of the year, thanks to the continued good underwriting in property-casualty business and an easing of the strain from the capital markets. The operating result totalled €926m, a decline of 6.6% compared with the previous year. In the period under review, the technical result amounted to €854m (1,332m). The consolidated result of the primary insurance segment totalled €375m (156m), or 140.4% more than in the previous year, while the result for the ERGO subgroup came to €173m (73m).

<b>Key figures</b>	2009	2008	2007	2006	2005
<b>Overall premium income<sup>1</sup></b>	<b>€bn</b>	<b>19.1</b>	<b>18.1</b>	<b>18.3</b>	<b>17.7</b>
<b>Gross premiums written</b>					
Life and health	€m			11,647	11,606
Life	€m	6,314	6,053		
Health	€m	6,048	5,840		
Property-casualty <sup>2</sup>	€m	5,154	5,105	5,639	5,147
Loss ratio property-casualty <sup>2</sup>	%	60.2	58.4	58.6	55.8
Expense ratio property-casualty <sup>2</sup>	%	32.9	32.5	34.8	35.0
Combined ratio property-casualty <sup>2</sup>	%	93.1	90.9	93.4	90.8
<b>Operating result<sup>3</sup></b>					
Life	€m	221	350		
Health	€m	222	153		
Property-casualty <sup>2</sup>	€m	483	488		
<b>Consolidated result</b>					
Life and health	€m			358	319
Life	€m	30	-12		
Health	€m	82	16		
Property-casualty <sup>2</sup>	€m	263	152	626	585

<sup>1</sup> Primary insurance premium income comprises the following: in the life primary segment, it includes not only gross premiums written but also savings premiums for unit-linked life insurance and capitalisation products in accordance with the statutory accounting guidelines applicable in the insurer's home country. In the property-casualty and health primary insurance segments, it comprises the gross premiums written.

<sup>2</sup> Including legal expenses insurance.

<sup>3</sup> Not available for the financial years 2005-2007, since IFRS 8 was applied for the first time in the financial year 2009.

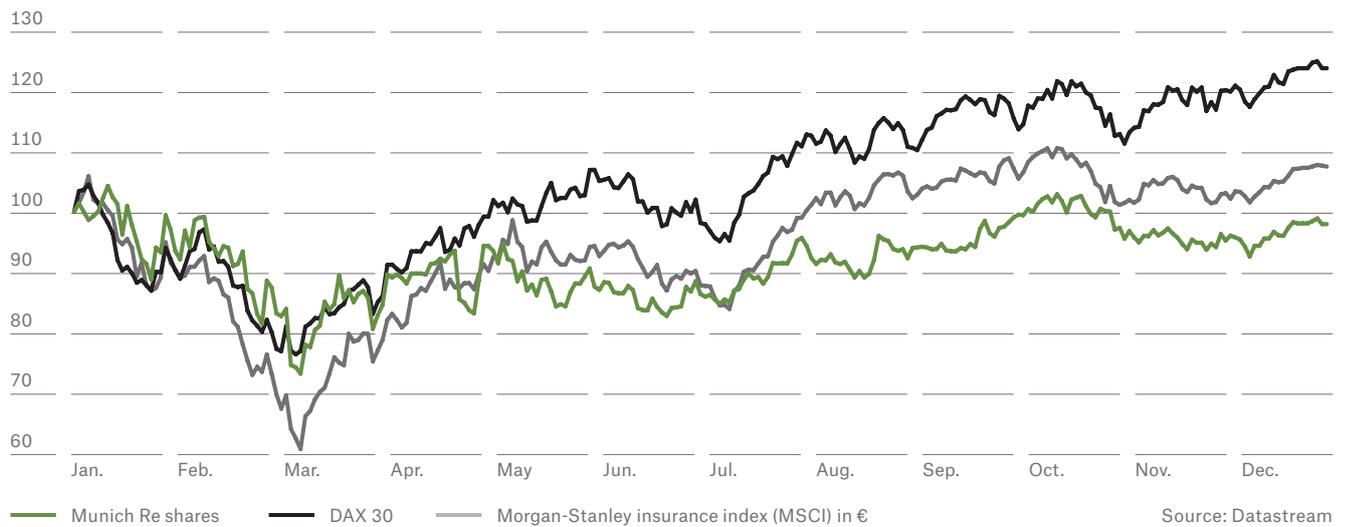
**Investment result**

The investment result for 2009 was up significantly by 33.2% to €7,883m compared with the previous year. It was favourably influenced by a reduction of €4.5bn in the negative balance from write-ups and write-downs in our equity portfolio and a €750m increase in gains on the disposal of equities. The balance from write-ups and write-downs on derivative financial instruments totalled -€413m (2,842m). We posted a moderate increase of €436m to €6,445m in regular investment income from loans and fixed-interest securities, while dividend income from our portfolio of equities and regular income from associates declined to €224m (963m) as a result of significant cutbacks in our equity portfolio. Our return on investment (based on the average investment portfolio at market values) was 4.3% (3.4%).

**Good long-term performance of Munich Re shares**

Initially, macroeconomic parameters in 2009 were strongly impacted by the crisis on the international financial markets and a global recession. However, there were signs of an economic recovery in the second half of the year. Prices on the international stock markets reflected this, rising markedly from spring onwards after considerable setbacks in the first few months. Munich Re shares proved a stable investment in this environment. Particularly at the beginning of 2009, they demonstrated their relative strength. In the months that followed, investors tended to prefer stocks with more pronounced risk profiles. In this situation, Munich Re shares were not able to rally on from those first few months of the year, and they were outperformed by insurance stocks with greater recovery potential. Altogether, the shares closed the year with an annual price performance of -2.1%. The long-term performance of Munich Re shares is striking, however: over the last three- and five-year periods, their performance (including dividend payments) has bettered both the DAX and the EURO STOXX Insurance indices.

### Share price performance 1 January 2009 = 100



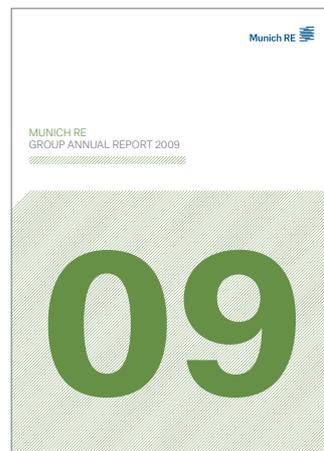
#### Service for investors and analysts

If you have general questions on Munich Re shares, please use our shareholder hotline:  
Tel.: +49 89 3891-2255  
E-mail: [shareholder@munichre.com](mailto:shareholder@munichre.com)

#### Note and disclaimer

In order to make the spectrum of our global business model clearer, all our reinsurance units throughout the world appear under the uniform brand of Munich Re. As of September 2009, this also applies to the German-speaking market. We use the reinsurance brand for the Group as well, and thus refer to the Munich Re Group as Munich Re. When we report on Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München, we refer to Munich Reinsurance Company. Primary insurance business is combined in the ERGO Insurance Group (ERGO).

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.



In the lead - 3:0 for Munich Re. In this year's Group Annual Report, you can find out how our business is related to football, what formations we adopt to score in the markets, and which major goals we achieved last year. It also contains all the important data and facts on the past financial year and our shares. More at [www.munichre.com/report/2009/en](http://www.munichre.com/report/2009/en)

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#### Shareholder service

If you have questions about the Annual General Meeting,  
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Tel.: +49 89 38 91-22 55

E-mail: [shareholder@munichre.com](mailto:shareholder@munichre.com)

Further information at [www.munichre.com/agm](http://www.munichre.com/agm)

#### Responsible for content

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## Important dates 2010

- // **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
- // **9 November 2010:** Interim report as at  
30 September 2010

## Important dates 2011

- // **10 March 2011:** Balance sheet press conference  
for 2010 consolidated financial statements
- // **20 April 2011:** Annual General Meeting
- // **21 April 2011:** Dividend payment
- // **9 May 2011:** Interim report as at 31 March 2011
- // **4 August 2011:** Interim report as at 30 June 2011
- // **4 August 2011:** Half-year press conference
- // **8 November 2011:** Interim report as at  
30 September 2011