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Press release

Munich Re with positive balance for financial year 2010

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As already published, Munich Re is aiming for a more or less unchanged consolidated result of around €2.4bn for 2011. This target will only remain achievable, however, if random losses in the further course of the year remain below expectations. Munich Re successfully concluded the financial year 2010 with a profit of €2.43bn.

Chairman of the Board of Management Nikolaus von Bomhard summed up the year as follows: "It was not an easy year given the high burdens from major losses, but we were nevertheless able to bring it to a successful close. With a profit of €2.43bn, we even slightly surpassed the target we had set ourselves. The year was good in particular because, despite very low interest rates, our 13.5% return on risk-adjusted capital came very close to our target of 15%."

The beginning of 2011 was marked by natural catastrophes in Australia and New Zealand. In view of this major-loss burden in the first two months of the year, the profit target of around €2.4bn for 2011 can only be achieved if random major losses remain below the average to be expected in the further course of the year. Munich Re estimates that the claims burdens from the devastating earthquake in New Zealand, the floods in Brisbane and Cyclone Yasi will total around A\$ 1.5bn, with the New Zealand earthquake alone accounting for A\$ 1bn, although the initial provisional estimate for the earthquake in particular is subject to uncertainty. Von Bomhard emphasised that "Our core business is to carry losses from natural catastrophes. With primary insurance and reinsurance, we help to cushion at least the financial consequences of such events for the people and regions affected."

Von Bomhard was generally optimistic regarding the further course of 2011 and the following years: "In reinsurance, our market and client proximity is paying off. We have the capacity to design complex reinsurance solutions for our clients, a fact that sets us apart from our competitors. At the same time, our products in the field of renewable energies and our concept for insuring offshore oil drilling are proof of our ability and willingness to foster innovation." Von Bomhard also mentioned that the renewals of reinsurance treaties in the property-casualty segment at 1 January 2011 had been very satisfactory. Also, there was potential for profitable growth owing to clients' increasing demand for solutions to transfer risk to financially strong reinsurers as a means of capital relief. Such contracts

were responsible for around half a billion euros of new business during the renewals at 1 January 2011.

“In primary insurance, we successfully launched the ERGO brand on the German market in 2010. ERGO has already become a household name in Germany – a very important step forward for the Group as a whole and essential for ERGO’s further development in particular”, explained von Bomhard. In Munich Re’s youngest field of business, Munich Health, income grew and consolidation is on track.

Summary of the figures for the financial year

The Group recorded a good operating result of €3,978m (4,721m) in 2010, €611m of this in the fourth quarter. Despite the high dividend payout and share buy-backs, Group equity increased to €23.0bn (31 December 2009: €22.3bn). Return on risk-adjusted capital after tax (RORAC) amounted to 13.5% for 2010, and return on equity (RoE) to 10.4%. Gross premiums written rose significantly by almost 10% to €45.5bn (41.4bn). If exchange rates had remained the same, premium volume would have grown by 5.1% compared with the previous year.

Munich Re has a comfortable capital buffer. Its available financial resources, including the subordinated bonds issued, amounted to €29.6bn at 31 December 2010. This compares with a risk capital requirement of €20.7bn based on internal calculations. As part of its active capital management, Munich Re intends to buy back outstanding bonds and to issue new bonds that are similarly eligible as capital. Owing to restrictions resulting from US legislation and other factors, offers will only be made to investors resident outside the USA. It is not possible to provide further written information at present, also for legal reasons.

Primary insurance: ERGO heads in the right direction with its enhanced customer focus

Primary insurance performed favourably in 2010. The operating result totalled €1,269m (908m), of which €346m (408m) derived from the fourth quarter. Before elimination of intra-Group transactions across segments, the consolidated result amounted to €656m (367m), with the fourth quarter contributing €224m (272m). The ERGO Insurance Group more than doubled its profit to €355m (173m).

The combined ratio for property-casualty primary insurance in 2010 (including legal protection insurance) amounted to 96.8% (93.2%). Market-wide problems in important countries like Turkey, Poland and South Korea and natural hazard events such as the long, harsh winter and flood losses were responsible for considerably higher claims expenditure in international business. The combined ratio for the fourth quarter amounted to 100.4% (90.3%).

Overall premium income across all lines of business increased by 5.4% to €19.2bn (18.2bn). ERGO grew in international business and in all segments of German business. Gross premiums written by ERGO in the financial year 2010 rose by over 5% to €17.5bn (16.6bn).

In life business, total premium income (i.e. including savings premiums from unit-linked life insurance and capitalisation products) increased to €8.2bn (7.9bn), a rise of 3.6%. Gross premiums written in and outside Germany rose by 3.0% to €6.5bn (6.3bn). German new business was 21.3% higher than in the same period last year, thanks to the favourable development of single-premium business, where ERGO achieved double-digit growth rates, especially in traditional annuity covers. Based on German new business, the annual premium equivalent (APE = regular premium income plus 10% of single-premium volume) was up 5.6% on last year at €492m (466m).

In the health insurance segment, premium income climbed by 6.3% to €5.5bn (5.2bn). Besides necessary premium adjustments at the start of the year, the conclusion of a major contract in the previous year also had a positive effect.

In the property-casualty insurance segment, premiums written by Munich Re's primary insurers in 2010 totalled €5.5bn (5.1bn). International business grew by 18% to €2.3bn (2.0bn), partly due to favourable exchange-rate developments. German business also showed growth, with premium since the start of the year climbing by 0.4% to €3.17bn (3.16bn). ERGO increased its premium income in commercial and industrial business in particular.

ERGO CEO Torsten Oletzky emphasised: "2011 will be devoted to realising our brand proposition 'To insure is to understand'." He went on to say that the approach was already beginning to bear fruit: "Of the approximately 40 million letters dispatched every year, roughly 13 million have thus far been revised in accordance with certified plain language criteria. We have set standards with the drastic simplification of our terms and conditions in personal liability insurance and have shown what is possible in this regard. We will gradually phase in the approach for our whole range of products, and that is only the beginning", said Oletzky.

Reinsurance: Good result despite high costs for major losses

Reinsurance achieved a good result and contributed significantly to the Group's profit, despite the fact that Munich Re's reinsurance business was impacted by high claims costs for major losses. Helped by an investment result of €3,436m (3,796m), Munich Re recorded a reinsurance operating result of €2,943m (4,099m), a decrease of 28.2%, with €431m coming from the fourth quarter. Reinsurance contributed €2,099m (2,576m) to the Group's overall profit, the fourth quarter producing €440m (€707m) of this amount.

The combined ratio in property-casualty reinsurance was 100.5% (95.3%) of net earned premiums for the year as a whole and 96.0% (92.3%) for the fourth quarter. As a consequence of the customary year-end review of reserves, the combined ratio benefited from a moderate reduction of claims provisions. The overall figure for the year contains 11.0 (1.4) percentage points for natural catastrophes – a major-loss burden from natural catastrophes that is well above the average 6.5%. Natural catastrophe losses amounted to around €1.56bn (0.20bn) for the entire year. The largest loss event for Munich Re in 2010 was

the devastating earthquake in Chile, with an overall burden of nearly US\$ 1bn after retrocession and before tax.

Compared with the previous year, premium income grew by over 8% to €23.6bn (21.8bn), nearly €6.0bn (5.3bn) of which came from the fourth quarter. Since 1 April 2009, Munich Re's consolidated financial statements have included its US acquisition, the Hartford Steam Boiler Group (HSB Group), which contributed gross premium income of €638m in 2010. Without currency translation effects, premium would have risen by 1.5% in 2010.

In the life reinsurance segment, gross premiums written in 2010 were up by over 16% compared with the previous year, reaching €7.9bn (6.8bn). Growth derived mainly from major treaties concluded by individual clients for capital relief. For reserve-strengthening in US long term care business and write-downs of deferred acquisition costs for this business, expenses of €0.32bn before tax and €0.22bn after tax were incurred; the amounts for the fourth quarter were €0.24bn and €0.15bn respectively.

Torsten Jeworrek, Munich Re's Reinsurance CEO, stressed: "Munich Re stands for a very successful mixture of new business, innovative insurance covers, profitable growth in niche segments and traditional business." A fact, Jeworrek said, that had also been demonstrated by the renewals at 1 January 2011. "We are in a position to structure and write very complex and comprehensive reinsurance programmes. At the same time, our market and client proximity enables us to acquire business before it is placed on the general market." He stated that in rapidly growing markets, Munich Re was increasingly supporting primary insurers in expanding. "We help our clients achieve their strategic goals", said Jeworrek. He stated that Munich Re was also scoring points with new concepts – for instance, the guarantee cover for the manufacturers of wind power plants, with which Munich Re had set a new standard in the market. "And last year we introduced a concept for insuring offshore oil drilling, which is now being driven forward by leading brokers around the world", explained Jeworrek.

An overall Group premium volume of around €2.8bn will be up for renewal at 1 April 2011 (Japan and Korea) and 1 July 2011 (parts of the US market, Australia and Latin America). Given the accumulation of natural catastrophes, Munich Re is expecting price levels to stabilise.

Munich Health: Premiums rise to €5.1bn

Since the first quarter of 2010, Munich Re has been reporting on Munich Health as a separate segment under IFRS 8. Munich Health covers Munich Re's health reinsurance business worldwide and its health primary insurance outside Germany.

Munich Health's operating result amounted to €131m (133m), and it contributed €63m (27m) to the Group's overall profit, €6m of this in the fourth quarter.

Its combined ratio for 2010 came to 99.7% (99.4%). This ratio relates only to short-term health business, not to business conducted like life insurance.

Munich Health's premium income climbed markedly by 29% to €5.1bn (4.0bn). International health primary insurance business showed an increase of 9.1% to €1,925m (1,764m), with premium growth particularly in the UK, Spain and Belgium. Sterling Life's premium income was down because the US regulatory framework has been tightened for the senior segment. The growth in reinsurance premium income to €3,215m (2,210m) is essentially due to the conclusion of large-volume quota share treaties which clients are using for capital relief. If exchange rates had remained the same, premium volume would have increased by 20.2% compared with the previous year.

In January 2011, Munich Re completed its acquisition of the Windsor Health Group, Inc. (Windsor), a specialist US health insurer. Windsor operates government-sponsored health plans through its Windsor Health Plan, Inc. subsidiary, which provides specialty managed healthcare services for the senior segment. Not the least of Munich Re's motives in acquiring Windsor is to meet the challenges of the US health reform and to strengthen Munich Health's position in the US Medicare market.

Investments: Investment result of €8.6bn up significantly on the previous year

At €193bn, total investments at 31 December 2010 increased by €11bn or 6% compared with year-end 2009, chiefly due to currency translation effects and the decline in risk-free interest rates.

The Group's investment result for 2010 showed a year-on-year rise of nearly 10% to €8.6bn (7.9bn). Annualised, the result represents a return of 4.5% in relation to the average market value of the portfolio. The equity-backing ratio at 31 December 2010 was 4.4% (31 December 2009: 2.8%), based on the Group's total investments at market value, including equity-based derivatives. The portfolio continues to focus on fixed-interest investments, €162bn of which are fixed-interest securities and loans, including short-term items. Over 47% of this portfolio is in government bonds or instruments for which public institutions are liable.

The overall balance of write-ups and write-downs plus net gains on disposals amounted to €1,246m (490m) for 2010. The Group made net write-ups of €80m (-366m) on swaptions, because the interest-rate level fell in the second and third quarters. Swaptions are used by Munich Re's life primary insurers as protection against reinvestment risks in phases of low interest rates. Especially due to the volatile stock markets, Munich Re had to make write-downs of €277m (385m) on non-fixed-interest securities. Gains came from the sale of corporate bonds acquired in the previous year, which subsequently recorded increases in market value as risk spreads fell. When switching investments in government bonds, Munich Re profited from the interest-rate level remaining low. CFO Jörg Schneider was very satisfied: "Our conservative yet active asset management again paid off in 2010. This applies both to the gains made on the sale of corporate bonds and to the successful switching of investments in government bonds."

The Group's asset manager is MEAG MUNICH ERGO AssetManagement GmbH. In addition to Group investments, MEAG's segregated and retail funds under management at 31 December 2010 totalled €10.2bn (7.9bn).

Outlook for 2011: Profit target of around €2.4bn

If exchange rates remain stable, the Group anticipates that for the current financial year 2011 its gross premium volume in the reinsurance segment will range between €24bn and €25bn. For primary insurance (excluding health primary insurance business written outside Germany by Munich Health) gross premiums of €17–18bn are expected. Total premium income in primary insurance (including the savings premiums of unit-linked life insurance and capitalisation products) should range between €19bn and €20bn. Gross premiums written of around €6bn are expected for Munich Health. Overall, subject to the precondition described, Munich Re expects its gross premiums written in primary insurance, reinsurance and Munich Health (total consolidated premium) to be between €46bn and €48bn.

For property-casualty reinsurance, Munich Re's target over the market cycle as a whole and for 2011 is a combined ratio of around 97% of net earned premiums. Since the Group was affected by severe accumulation loss events at the end of February 2011, i.e. the floods in Brisbane and Cyclone Yasi (also in Australia) and the earthquake in New Zealand, it will only be able to achieve this target if random major losses remain below the average level to be expected in the further course of the year. Munich Re expects to incur claims costs of around A\$ 1bn from the New Zealand earthquake of 22 February 2011 alone. This first provisional claims estimate is subject to uncertainty. Munich Re anticipates that the claims burden from Cyclone Yasi will amount to around A\$ 135m and that from the floods in the Brisbane region to some A\$ 350m. The 2011 target in property-casualty primary insurance is a combined ratio of below 95%.

For 2011, Munich Re does not expect any significant rise in capital market interest rates; regular income from fixed-interest securities and loans is therefore likely to be lower. With its increased but historically still low equity-backing ratio, write-downs are likely to be correspondingly moderate, but so are the opportunities to realise gains on disposal. Munich Re therefore considers it likely that medium-term investment results will be lower, with a return of below 4% on the portfolio.

Given normal claims experience and in expectation of essentially stable prices in reinsurance, Munich Re envisages a somewhat higher underwriting result and is aiming for a consolidated result of around €2.4bn for 2011, as things stand at present. Considering the major-loss burden in the first two months of the year, however, this target can only be achieved if random major losses remain below average expectations in the further course of the year. For 2012, Munich Re has set itself a result target of around the same level. Munich Re is adhering to its long-term objective of a 15% post-tax return on risk-based capital (RORAC) across the insurance and interest-rate cycle, although it will be difficult to achieve in an environment dominated by low interest rates.

10 March 2011
Press release
Page 7/11

The share buy-back programme launched in May 2010 has almost been completed. By 7 March 2011, shares with a total volume of around €873m had been repurchased; the target is an amount of up to €1bn by the next Annual General Meeting on 20 April 2011. As already announced, subject to the approval of the Annual General Meeting, Munich Re intends to pay a dividend for the past financial year of €6.25 (5.75) per share in April 2011, equivalent to a total payout of over €1.1bn based on the shares currently in circulation. In addition, Munich Re has announced a further share buy-back programme: up to the Annual General Meeting in 2012, a buy-back volume of up to €500m is planned. "Taking dividends and share buy-backs together, by the Annual General Meeting in April we will have returned more than €10bn to our shareholders since 2007", stated CEO von Bomhard.

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Munich Re stands for exceptional solution-based expertise, consistent risk management, financial stability and client proximity. Munich Re creates value for clients, shareholders and staff alike. In the financial year 2010, the Group – which pursues an integrated business model consisting of insurance and reinsurance – achieved a profit of €2.4bn on premium income of around €46bn. It operates in all lines of insurance, with around 47,000 employees throughout the world. With premium income of around €24bn from reinsurance alone, it is one of the world's leading reinsurers. Especially when clients require solutions for complex risks, Munich Re is a much sought-after risk carrier. Our primary insurance operations are concentrated mainly in the ERGO Insurance Group. With premium income of over €20bn, ERGO is one of the largest insurance groups in Europe and Germany. It is the market leader in Europe in health and legal protection insurance. More than 40 million clients in over 30 countries place their trust in the services and security it provides. In international healthcare business, Munich Re pools its insurance and reinsurance operations, as well as related services, under the Munich Health brand. Munich Re's global investments amounting to €193bn are managed by MEAG, which also makes its competence available to private and institutional investors outside the Group.

Disclaimer

This press release 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.

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10 March 2011
 Press release
 Page 8/11

Key figures (IFRS) for the Group for the financial year 2010*
 (in €m unless otherwise indicated)

At a glance:

- Consolidated profit of over €2.4bn for the year 2010
- Primary insurance: Segment result of €656m
- Reinsurance: Good result of €2.1bn
- Munich Health contributes €63m to Group result
- CEO von Bomhard: "For 2011, we are aiming for a consolidated result of around €2.4bn."

	2010	2009	Change	
			Absolute	%
Gross premiums written	45,541	41,423	4,118	9.9
Net earned premiums	43,075	39,526	3,549	9.0
Net expenses for claims and benefits	36,583	32,392	4,191	12.9
Technical result	1,965	2,747	-782	-28.5
Investment result	8,642	7,883	759	9.6
Thereof realised capital gains	3,743	4,117	-374	-9.1
realised losses	2,094	2,505	-411	-16.4
Non-technical result	2,013	1,974	39	2.0
Operating result	3,978	4,721	-743	-15.7
Finance costs	293	304	-11	-3.6
Taxes on income	692	1,264	-572	-45.3
Consolidated profit	2,430	2,564	-134	-5.2
Thereof attributable to				
Munich Reinsurance Company equity holders	2,422	2,521	-99	-3.9
minority interests	8	43	-35	-81.4
	31.12.2010	31.12.2009		
Investments	193,108	182,175	10,933	6.0
Equity	23,028	22,278	750	3.4
Employees	46,915	47,249	-334	-0.7
REINSURANCE**	2010	2009	Change	
			Absolute	%
Gross premiums written	23,602	21,783	1,819	8.4
Thereof life	7,901	6,796	1,105	16.3
property-casualty	15,701	14,987	714	4.8
Combined ratio in %	100.5	95.3	5.2	
Technical result	1,302	1,940	-638	-32.9
Non-technical result	1,641	2,159	-518	-24.0
Operating result	2,943	4,099	-1,156	-28.2
Result	2,099	2,576	-477	-18.5
PRIMARY INSURANCE**	2010	2009	Change	
			Absolute	%
Gross premiums written	17,481	16,596	885	5.3
Combined ratio in %	96.8	93.2	3.6	
Technical result	648	814	-166	-20.4
Non-technical result	621	94	527	560.6
Operating result	1,269	908	361	39.8
Result	656	367	289	78.7

10 March 2011
Press release
 Page 9/11

MUNICH HEALTH**	2010	2009	Change	
			Absolute	%
Gross premiums written	5,140	3,974	1,166	29.3
Combined ratio in %	99.7	99.4	0.3	
Technical result	69	54	15	27.8
Non-technical result	62	79	-17	-21.5
Operating result	131	133	-2	-1.5
Result	63	27	36	133.3
SHARES	2010	2009	Change	
Earnings per share in €	13.06	12.95	0.11	0.8

* Previous year's figures adjusted due to recognition of Munich Health as a separate segment.

** Before elimination of intra-Group transactions across segments.

10 March 2011
 Press release
 Page 10/11

Key figures (IFRS) for the Group in the fourth quarter of 2010*
 (in €m unless otherwise indicated)

	4th quarter 2010	4th quarter 2009	Change	
			Absolute	%
Gross premiums written	11,481	10,375	1,106	10.7
Net earned premiums	11,121	10,414	707	6.8
Net expenses for claims and benefits	8,723	8,021	702	8.8
Technical result	503	877	-374	-42.6
Investment result	1,361	2,091	-730	-34.9
Thereof realised capital gains	803	973	-170	-17.5
realised losses	563	430	133	30.9
Non-technical result	108	523	-415	-79.3
Operating result	611	1,400	-789	-56.4
Finance costs	74	73	1	1.4
Taxes on income	-167	250	-417	-
Consolidated profit	475	780	-305	-39.1
Thereof attributable to				
Munich Reinsurance Company equity holders	467	760	-293	-38.6
minority interests	8	20	-12	-60.0
REINSURANCE**	4th quarter 2010	4th quarter 2009		Change
			Absolute	%
Gross premiums written	5,974	5,252	722	13.7
Thereof life	1,985	1,912	73	3.8
property-casualty	3,989	3,340	649	19.4
Combined ratio in %	96.0	92.3	3.7	
Technical result	277	684	-407	-59.5
Non-technical result	154	482	-328	-68.0
Operating result	431	1,166	-735	-63.0
Result	440	707	-267	-37.8
PRIMARY INSURANCE**	4th quarter 2010	4th quarter 2009		Change
			Absolute	%
Gross premiums written	4,349	4,307	42	1.0
Combined ratio in %	100.4	90.3	10.1	
Technical result	191	177	14	7.9
Non-technical result	155	231	-76	-32.9
Operating result	346	408	-62	-15.2
Result	224	272	-48	-17.6

10 March 2011
 Press release
 Page 11/11

MUNICH HEALTH**	4th quarter 2010	4th quarter 2009	Change	
			Absolute	%
Gross premiums written	1,304	1,069	235	22.0
Combined ratio in %	100.0	99.8	0.2	
Technical result	12	13	-1	-7.7
Non-technical result	5	31	-26	-83.9
Operating result	17	44	-27	-61.4
Result	6	28	-22	-78.6
SHARES	4th quarter 2010	4th quarter 2009		Change %
Earnings per share in €	2.58	3.94	-1.36	-34.5

* Previous year's figures adjusted due to recognition of Munich Health as a separate segment.

** Before elimination of intra-Group transactions across segments.