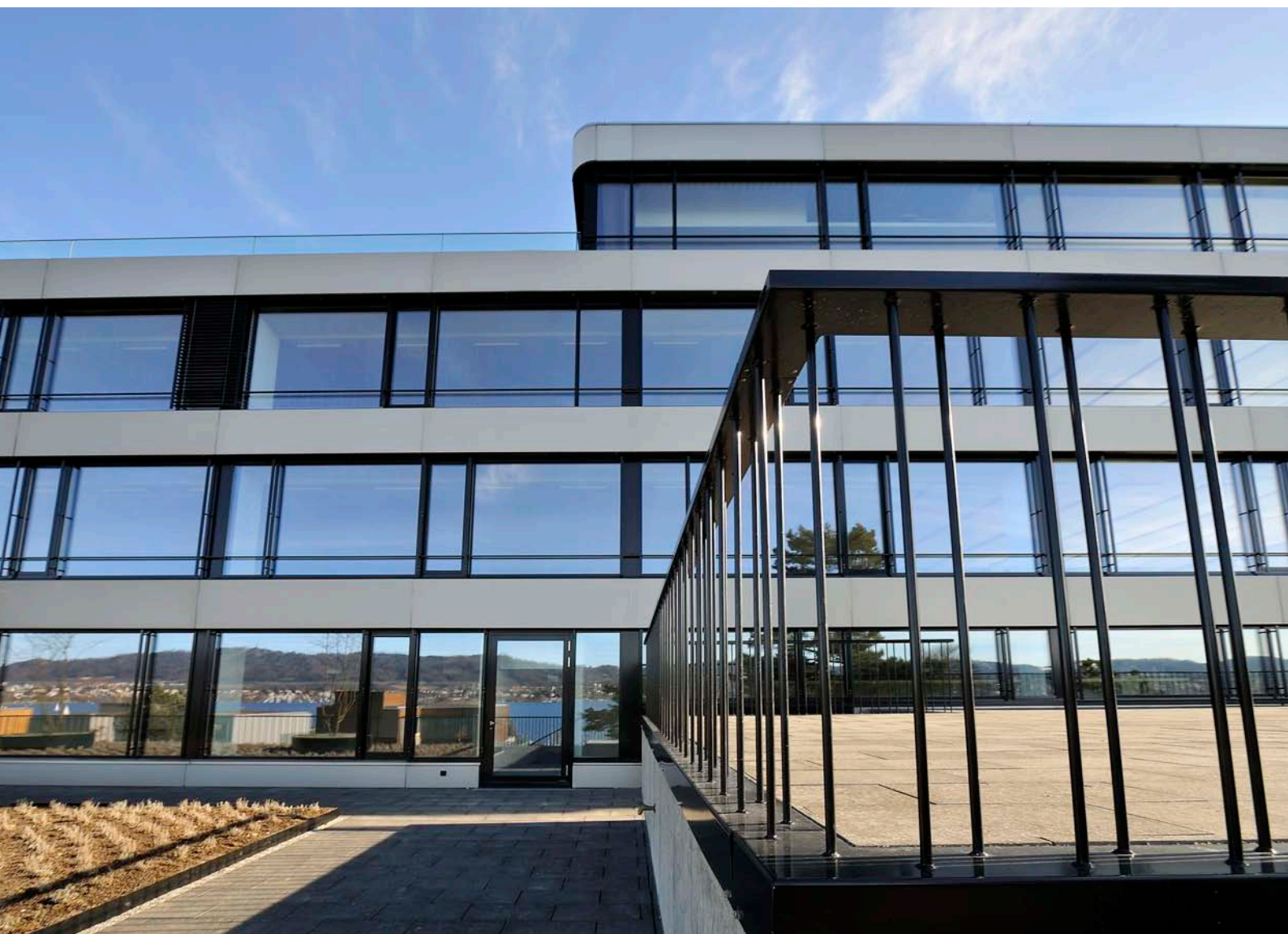


NEW REINSURANCE COMPANY

Financial Statements as at 31st December 2009

Swiss GAAP format



Summary

1. Key figures

Key figures (in CHF)	2009	2008
Gross premiums written	1,518,433,913	1,124,090,456
Net earned premiums	1,464,888,595	1,066,067,825
Investment income	137,567,423	79,400,460
Management expenses	-34,173,495	-31,470,908
Result for the year	205,769,319	45,959,096
Investments	3,538,947,020	2,960,530,606
Technical reserves (net)	3,139,505,337	3,168,338,429
Shareholder's equity *)	1,191,090,402	985,906,082

*) before appropriation of profit

2. Main events during the year

New products generate strong growth

2009 was a very successful year for New Re. The range of products offered has been significantly expanded. New Re successfully offers full service for structured products including Agro business and Variable Annuity business (Life). Clients show an active interest in these products. Despite further softening markets, total premium volume (gross, written) thus reached CHF 1,518 mio., a 35% growth compared to 2008.

A strong partner with profound technical knowledge

Maintaining its strong technical underwriting approach, New Re aspires to be a reliable long-term-oriented partner to its core clients. The Non-Life combined ratio of 89.4% is a result of this professional underwriting approach. NatCat claims resulted mainly from Storms "Xystus/Wolfgang" and "Klaus", but were, at CHF 36.1 mio., slightly below expectations (long-term averages).

Stable investment returns despite financial crisis

Despite the financial crisis, New Re again could achieve a very stable investment result of (net) CHF 137.6 mio. This includes CHF 26.4 mio. (net) as the result of the Variable Annuity business. The hedging elements of this Variable Annuity business are included in "investment income" and "investment expenses".

Exceptional result and strong capital basis

With a result of CHF 205.8 mio., New Re could almost achieve the same level as in its record year 2007 (CHF 227.3 mio.). The capital base again increased significantly: Equalisation reserves rose by CHF 6.9 mio. to a total of CHF 193.2 mio., and equity rose by CHF 205.2 mio. to a total of CHF 1,191.1 mio. New Re enjoys a AA- rating. New Re is a core company of Munich Re (Group).

Promising outlook for 2010

New Re has successfully completed its move from Geneva to Zurich. Staff in Zurich are fully trained and operational. The same high level of professional service is being delivered to our clients. In the renewal for 2010, New Re maintained its reliable professional approach in view of continuing soft market conditions. As a result, business volume is likely to decline. Inherent profitability of New Re remains sound.

Balance sheet as at 31st December 2009

(before appropriation of available earnings)

Assets (CHF)	2009	2008
Bank and post office accounts and cash	71,698,385	35,956,844
Short-term investments	131,704,178	15,829,277
Securities	3,261,640,821	2,834,840,849
Real estate	73,903,636	73,903,636
Amounts due from companies for reinsurance business:		
– in current account	312,426,909	274,747,134
– for deposits made	847,939,719	1,043,885,155
Sundry debtors and accruals	165,833,297	162,947,078
Total	4,865,146,945	4,442,109,973

Liabilities and equity (CHF)	2009	2008
Capital subscribed	260,000,000	260,000,000
General reserve fund	100,695,473	91,503,654
Free reserve	624,625,610	588,443,332
Retained earnings (incl. profit/loss brought forward)	205,769,319	45,959,096
Shareholder's equity	1,191,090,402	985,906,082
Technical reserves for own account:		
– Future policy benefits reserves	745,269,463	923,466,130
– Unearned premiums	94,377,612	78,641,596
– Claims reserves	2,106,646,269	1,979,911,710
– Equalisation reserves	193,211,993	186,318,993
Amounts due to companies for reinsurance business:		
– in current account	147,672,023	210,675,605
– for deposits retained	22,949,390	30,851,739
Sundry creditors and accruals	363,929,793	46,338,118
Total liabilities	3,674,056,543	3,456,203,891
Total	4,865,146,945	4,442,109,973

Profit and loss account for the business year 2009

Technical accounts (CHF)		2009		2008
Life				
1. Net earned premiums:				
– Gross premiums	520,771,547		455,956,716	
– Premiums retroceded	–17,593,560		–17,653,358	
– Change in unearned premiums	18,617,465		5,370,472	
		521,795,452		443,673,830
2. Expenditure for claims on death or maturity for own account, incl. change in claims reserves and change in premiums funds		–331,388,580		–273,386,729
3. Commissions for own account		–129,273,919		–112,514,977
4. Interest for own account				
– on premium funds	24,212,552		23,209,722	
– on other technical reserves	5,227,251		5,153,392	
		29,439,803		28,363,114
5. Management expenses		–8,833,733		–7,824,376
Technical result for life			81,739,023	78,310,862
Other classes				
6. Net earned premiums:				
– Gross premiums	997,662,366		668,133,740	
– Premiums retroceded	–25,576,183		–25,425,066	
– Change in unearned premiums	–28,993,040		–20,314,679	
		943,093,143		622,393,995
7. Claims for own account, incl. change in claims reserves		–634,943,822		–504,911,783
8. Commissions for own account		–189,812,183		–101,988,692
9. Interest on technical reserves for own account		46,157,419		47,303,689
10. Management expenses		–21,251,787		–19,169,963
Technical result for other classes			143,242,770	43,627,246
Overall technical result			224,981,793	121,938,108
General accounts (CHF)		2009		2008
11. Investment income	384,586,425		94,382,169	
12. Investment expenses	–247,019,002		–14,981,709	
Investment result		137,567,423		79,400,460
13. Interest on technical reserves				
– Interest on technical reserves – life	–29,439,803		–28,363,114	
– Interest on technical reserves – other classes	–46,157,419		–47,303,689	
		–75,597,222		–75,666,803
			61,970,201	3,733,657
14. Other result			–39,212,110	–69,168,612
15. Management expenses		–34,173,495		–31,470,908
– Management expenses – life f.o.a.		8,833,733		7,824,376
– Management expenses – other classes f.o.a.		21,251,787		19,169,963
			–4,087,975	–4,476,569
16. Writedowns and value adjustments			–1,682,189	–1,517,899
17. Taxes			–36,200,401	–4,549,589
Result for the year			205,769,319	45,959,096
Profit/loss brought forward from previous year			0	0
Balance sheet retained earnings			205,769,319	45,959,096

Notes to the Financial Statements

1. Accounting principles

The company's accounting principles are in line with those prescribed by the Swiss Code of Obligations (OR). They are consistent with those applied in the prior year. The accounting and valuation principles of the main balance sheet captions are as follows:

Investments

Equity investments and investment funds are valued at lowest ever of cost or reported market value.

Fixed-interest securities are valued at amortised cost. The annual amortisation amount is recognised as current income.

Unrealised gains are neither in equity nor in the income statement.

Real estate

Buildings are valued at the lower of either cost of original acquisition plus the cost of renovations or market value.

Accounts receivable

Receivables are booked at nominal values and adjusted if there is a risk that they cannot be fully recovered, which is calculated considering individual exposures and a general allowance based on the analysis.

Technical reserves

Case reserves are recorded for the amounts reported by ceding companies. At the year-end closing, most accounts received for recent underwriting years are incomplete and are subject to estimates. The claims reserves are valued at the expected ultimate cost – including reserves for incurred but not reported claims – either reported by ceding companies or estimated by underwriters and the actuarial department, less claims paid.

Other assets and liabilities

These are held at their nominal value or fair value.

2. Transactions conducted in foreign currencies

All transactions are recorded in their original currency. All balance sheet and profit & loss account items are translated into CHF using the year-end exchange rate. The company records a provision for net unrealised foreign exchange gains.

3. Other information according to the Swiss Code of Obligations (OR)

Art. 663a N°4 OR

At the balance sheet date there were receivables and liabilities in respect of other affiliated companies belonging to Munich Re (Group), as follows:

in TCHF	2009	2008
Amount due from companies for reinsurance business		
– current account	17,084	23,351
– deposits made	107,214	93,927
Total receivables	124,298	117,278
Amount due to companies for reinsurance business		
– current account	34,395	48,126
– deposits retained	58	1,795
Total liabilities	34,453	49,921

The above-mentioned figures for amounts due from or to Group companies include estimations of technical positions at year-end.

Art. 663b N°2 OR

The assets pledged or assigned to secure New Re's commitments, plus the assets under reservation of ownership, amounted TCHF 265,640 as at 31.12.2009 (previous year: TCHF 125,562).

Art. 663b N°4 OR

Insured values of tangible assets (fire cover):

in TCHF	2009	2008
Buildings	107,861	107,440
Furniture and computer equipment	7,860	7,860
Total	115,721	115,300

Art. 663b N°12 OR

Information on the risk assessment

Objectives and methods of risk management

The selective acceptance of reinsurance risks is at the core of New Re's business model.

Risk management plays a key role in the steering of New Re's operations. The company deploys a variety of risk management functions, tools and processes for its global business to manage its operational, financial and compliance risks.

New Re seeks to maintain a balanced relationship between risks and earnings opportunities for the benefit of stakeholders, primarily shareholders, clients, rating agencies, supervisory authorities and staff.

Consequently, New Re's risk management strategy aims:

- to protect the reputation of New Re and Munich Re (Group);
- to ensure the highest degree of confidence in meeting policyholders' claims;
- to enable Munich Re (Group) to protect and generate sustainable shareholder value.

The internal control system is an integral part of the company's enterprise risk management and represents a key element of New Re's corporate governance.

Risk identification

The global risk management function is organised by risk categories and is based on the Risk Catalogue. It identifies, evaluates, mitigates and monitors the most significant risks.

The majority of New Re's risk and control activities are in the area of reinsurance. The right assessment of risk, exposure, price, wording and guidelines is the major part in New Re's business.

Risk tolerance and evaluation

Risk is defined as the possibility of a future deviation from a predefined goal, which can, individually or cumulatively, significantly influence the financial situation of New Re.

Risk tolerance value is defined as a function of the risk strategy and risk-bearing capacity. Events exceeding 1% of the IFRS equity are regarded as a material risk, events exceeding 10% as a threatening risk.

New Re determines the required economic capital using an economic profit-loss distribution across all risk segments. The economic risk capital corresponds to 1.75 times the value at risk of this distribution over a one-year time horizon with a confidence level of 99.5%. The value at risk with a confidence level of 99.5% gives the economic loss which, given unchanged exposures, will be statistically exceeded once every two hundred years at most.

Internal control system (ICS)

New Re has a holistic approach to the ICS and its application is a continuing process, mainly based on a segregation of duties. The ICS is adjusted periodically to reflect changes in the business and control environment.

As part of Munich Re (Group), New Re follows the Group compendium of regulations and guidelines. It uses a modular system and refers to specific operational matters and strategic issues in a summarised way.

Responsibilities

The responsibilities for risks and controls are clearly allocated. It is part of an efficient ICS to promote and further develop a positive risk and control culture in all areas and on all levels of New Re.

Executives and employees are asked to proactively report deficiencies and risks in their respective areas of activity to allow for a timely remediation of such deficiencies or risks.

The Board of Directors is responsible for the risk management principles and policies, as well as for approving the overall risk tolerance.

Art. 663c OR

New Re's shareholder is the Munich Reinsurance Company (Münchener Rückversicherungs-Gesellschaft, Aktiengesellschaft in München) with a 100% shareholding.

The share capital is made up of a nominal value of CHF 200. New Re's financial statements are consolidated within the financial statements of Munich Re (Group).

There are no other facts requiring disclosure under Art. 663b OR.

Proposed appropriation of the 2009 available earnings

The 2009 retained earnings for the year amount to CHF 205,769,319 (previous year: CHF 45,959,096). The Board of Directors proposes to the Annual General Meeting to pay out a dividend of CHF 0.75 per share, resulting therefore in the following appropriation of the balance sheet retained earnings of CHF 205,769,319 (previous year: CHF 45,959,096):

in CHF	
Increase of general reserve fund:	29,304,527
Free reserve:	175,489,792
Dividend 2009:	975,000
Balance sheet retained earnings 2009	205,769,319

As the general reserve fund meets the regulatory requirement, further allocations to the fund will be waived.

Geneva, 17 June 2010

The Chairman
of the Board of Directors

Dr. Thomas Blunck

The Chairman
of the Executive Board

Andreas Molck-Ude

Report of the Statutory Auditors on the Financial Statements to the General Meeting of New Reinsurance Company, Geneva

As statutory auditors, we have audited the accompanying financial statements of New Reinsurance Company on pages 3 to 8, which comprise the balance sheet, income statement and notes for the year ended 31 December 2009.

Board of Directors' Responsibility

The board of directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system.

An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2009 comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the board of directors.

We further confirm that the proposed appropriation of available earnings on page 8 complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Ian Sutcliffe
Licensed Audit Expert
Auditor in Charge

Patrick Scholz
Licensed Audit Expert

Zurich, 17 June 2010

