



# QUARTERLY FINANCIAL STATEMENTS AS AT 31 MARCH 2010

Media telephone conference

7 May 2010

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## Overview – Financial highlights

# Robust performance considering the turbulent start to the year

Munich Re (Group)		
<b>Pleasing Q1 result – Net income increased to €485m</b> Investment result mitigating high NatCat losses Annualised RoRaC of 10.7%	<b>Shareholders' equity further strengthened to €23.2bn</b> Continuation of share buy-back of up to €1bn until the AGM 2011	<b>Strong investment result</b> Annualised RoI of 5.2% High disposal gains not repeatable in the remainder of 2010
<b>Reinsurance</b> <b>Result burdened by high NatCat losses</b> NatCat losses (combined ratio <sup>1</sup> : 109.2%) partially compensated by improved result in life reinsurance	<b>Primary insurance</b> <b>Performance fosters turnaround</b> All three business segments demonstrate improvements leading to a good segmented result of €165m (consolidated ERGO result €78m)	<b>Munich Health</b> <b>First-time disclosure of new business field</b> Focus on consolidation to strengthen sustainable earnings generation

<sup>1</sup> Property-casualty.

## Agenda

Overview

**The Group**

Primary insurance

Reinsurance













Munich Health

Outlook

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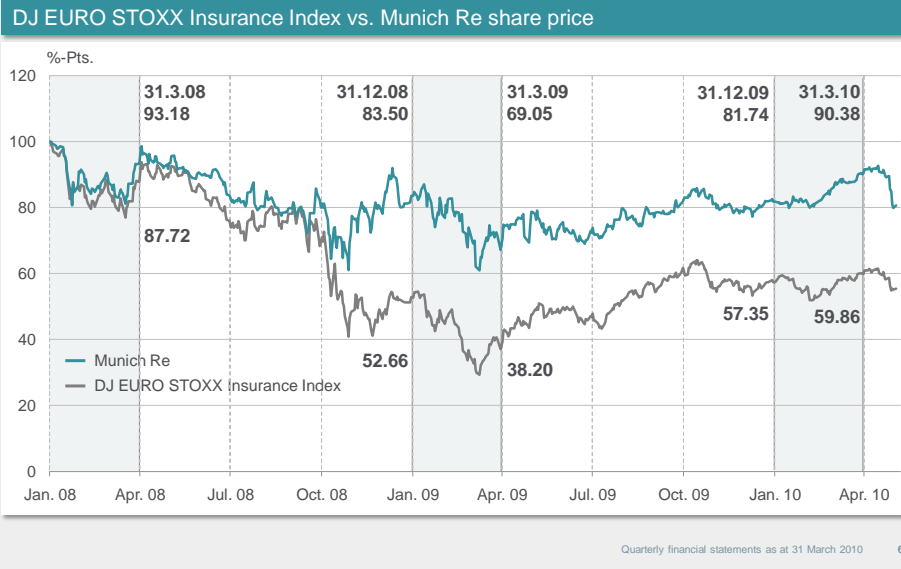
## The Group – Overview

## Sound financial development based on investment result and recovering primary business

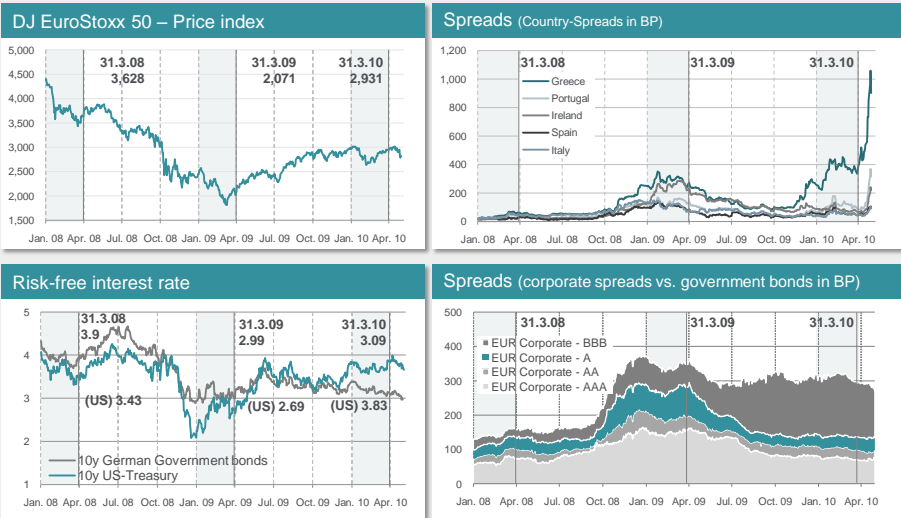
GROUP Gross premiums written	GROUP Operating result	GROUP Consolidated result
€m	€m	€m
Q1 2009 10,367 	Q1 2009 736 	Q1 2009 437 
<b>Q1 2010 11,657</b> 	<b>Q1 2010 770</b> 	<b>Q1 2010 485</b> 
Substantial organic growth in life reinsurance and in Munich Health	Strong investment result offsets lower technical result	Solid result – Investment result mitigating high NatCat losses
REINSURANCE Consolidated result	PRIMARY INSURANCE Consolidated result	MUNICH HEALTH Consolidated result
€m	€m	€m
Q1 2009 678 	Q1 2009 –59 	Q1 2009 –4 
<b>Q1 2010 424</b> 	<b>Q1 2010 165</b> 	<b>Q1 2010 –11</b> 
Life strongly improved, p-c reflects high claims activity	Positive earnings trend confirmed	Stable operating result strained by negative FX development

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Index development and the Munich Re share



Index and interest rate development



## The Group – Premium development

## Top-line development driven by large-volume deals in life reinsurance and Munich Health



€m	
Gross premiums written Q1 2009	10,367
Foreign-exchange effects	144
Divestment/Investment	149
Organic change	997
<b>Gross premiums written Q1 2010</b>	<b>11,657</b>

- Positive FX development (mainly CAN\$ and Au\$) overcompensate decline of US\$
- HSB acquisition: First-time consolidation as from Q2 2009
- Large-volume deals predominately included as from Q2 2009

## Breakdown by segment (consolidated)

## Reinsurance

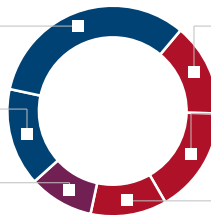
Property-casualty  
3,949 (34%)  
(▲ 0.6%)

## Reinsurance

Life: 1,808 (16%)  
(▲ 43.7%)

## Munich Health

1,199 (10%)  
(▲ 66.1%)



## Primary insurance

Property-casualty  
1,718 (15%)  
(▲ 6.2%)

## Primary insurance

Life: 1,569 (13%)  
(▲ 4.0%)

Total premiums: 1,964 (▲ 9.0%)

Health Germany: 1,414 (12%)  
(▲ 5.8%)

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## The Group – Operating and consolidated result

## Reinsurance result impacted by high losses

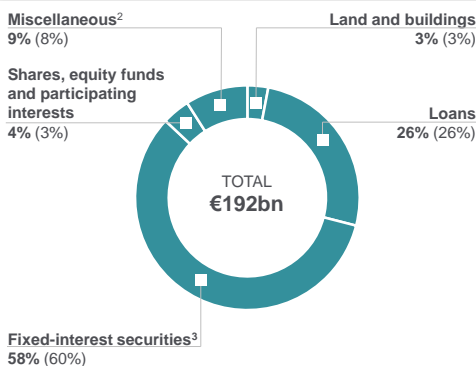


€m	Q1 2009	Q1 2010		
<b>Operating result</b>				
Reinsurance Life	146	243		
Reinsurance Property-casualty	711	362		
<b>Reinsurance Subtotal</b>	<b>857</b>	<b>605</b>		
Primary insurance Life	-25	24		
Primary insurance Health	42	34		
Primary insurance Property-casualty	46	193		
<b>Primary insurance Subtotal</b>	<b>63</b>	<b>251</b>		
<b>Munich Health</b>	<b>3</b>	<b>4</b>		
<b>Munich Re (Group)</b>	<b>736</b>	<b>770</b>		
<b>Consolidated result</b>				
Reinsurance Life	120	202		
Reinsurance Property-casualty	558	222		
<b>Reinsurance Subtotal</b>	<b>678</b>	<b>424</b>		
Primary insurance Life	-71	15		
Primary insurance Health	3	17		
Primary insurance Property-casualty	9	133		
<b>Primary insurance Subtotal</b>	<b>-59</b>	<b>165</b>		
<b>Munich Health</b>	<b>-4</b>	<b>-11</b>		
<b>Munich Re (Group)</b>	<b>437</b>	<b>485</b>		

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The Group – Investments

## Well-balanced investment portfolio

Munich RE Investment portfolio<sup>1</sup>

## Active portfolio management

## Fixed-interest securities

- Decreasing corporate bond exposure thereby realising gains in Q1 2010 in addition to disposal gains on government and inflation-linked bonds
- Lengthening duration to earn yield pick-up and continue to reduce AL-mismatch
- Digestible positions in weaker sovereign bonds

## Equities

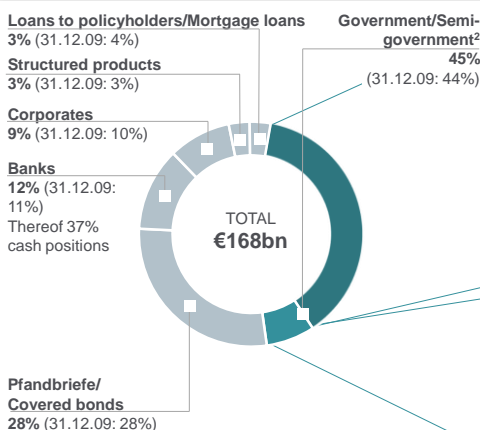
Slight increase of net equity exposure to 3.1% as at March 2010 (vs. 2.8% as at December 2009) – Gross equity exposure increased to 3.9%

## Opportunities in fixed-income securities taken selectively

<sup>1</sup> Fair values as at 31.3.2010 (31.12.2009).<sup>2</sup> Deposits retained on assumed reinsurance, investments for unit-linked life insurance, deposits with banks, investment funds (bond, property).<sup>3</sup> Categories "available for sale", "held to maturity" and "at fair value".

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The Group – Investments – Fixed-income portfolio

Fixed-income portfolio focused on highly rated credit risk  
– Limited exposure to weaker sovereignsMunich RE Fixed-income portfolio<sup>1</sup>Governments per country<sup>2</sup>

	In % of total government exposure	
	Without P/H <sup>4</sup> participation	With P/H <sup>4</sup> participation
Germany	7	26
US	15	0
Canada	6	0
UK	5	1
France	4	1
Austria	1	2
Other	13	3
<b>Total<sup>3</sup></b>	<b>84%</b>	
<b>"PIIGS"</b>		
Italy	4	2
Greece	1	2
Spain	1	2
Ireland	1	2
Portugal	0	1
<b>Total<sup>3</sup></b>	<b>16%</b>	

<sup>1</sup> Incl. loans, parts of other securities, other investments and cash positions. Fair values.<sup>2</sup> Thereof 10% inflation-linked bonds and 16% "PIIGS". <sup>3</sup> Differences between totals possible due to rounding. <sup>4</sup> P/H = policyholder. Economic view – not fully comparable with IFRS figures. As at 31 March 2010.

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The Group – Investment result

## Strongly improved investment result – 5.2% return on investment not sustainable for 2010



- Higher regular income and running yield due to increased asset base as well as cautious investments in credit exposed fixed-interest securities
- Significantly reduced net write-downs due to lower impairments on swaptions ...
- ... as well as better result from gains on disposal (corporate and government bonds) as main driver for strongly improved investment result

**Overall higher RoI<sup>1</sup> of 5.2% (Q1 2009: 3.1%)**

	€m	Q1 2010	Return <sup>1</sup>	€m	Q1 2009	Return <sup>1</sup>
Regular income	1,882		4.0%	1,749		3.9%
Write-ups/write-downs of investments	-93		-0.2%	-543		-1.2%
Gains/losses on the disposal of investments	655		1.4%	359		0.8%
Other income/expenses	16		0.0%	-198		-0.4%
<b>Investment result</b>	<b>2,460</b>		<b>5.2%<sup>2</sup></b>	<b>1,367</b>		<b>3.1%<sup>2</sup></b>

<sup>1</sup> Return on quarterly weighted investments (market values) in % p.a.

<sup>2</sup> Total return on investment Q1 2010 (incl. change in on- and off-balance-sheet reserves): 9.8% (1.8%).

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The Group – Capitalisation

## Pleasant increase in shareholders' equity despite significant share buy-back in Q1 2010



€m	Q1
Equity 31.12.2009	22,278
Consolidated result	485
<b>Changes</b>	
Dividend	0
Unrealised gains/losses	359
Exchange rates	523
Share buy-backs	-443
Other	-12
<b>Equity 31.3.2010</b>	<b>23,190</b>

**Unrealised gains/losses**  
Increase due to falling risk-free rates and rising equities

**Share buy-backs**  
In April 2010 further €191m were repurchased

**Exchange rates**  
Favourable FX development (mainly US\$ and CAN\$)

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The Group

**Primary insurance**

Reinsurance

Munich Health

Outlook

## Primary insurance – Overview

## Primary insurance confirms positive trend

## Gross premiums written


€m

Q1 2009 4,468 Q1 2010 4,714 

Growth in all segments

Investment result<sup>1</sup>

€m

Q1 2009 726 Q1 2010 1,622 

Strong improvement compared with crisis-ridden quarter last year

## Combined ratio property-casualty

%

Q1 2009 96.3 Q1 2010 98.7 

Combined ratio in Germany a good 92.8% – Internationally difficult environment and severe winter

## Consolidated result

€m

Q1 2009 –59 Q1 2010 165 

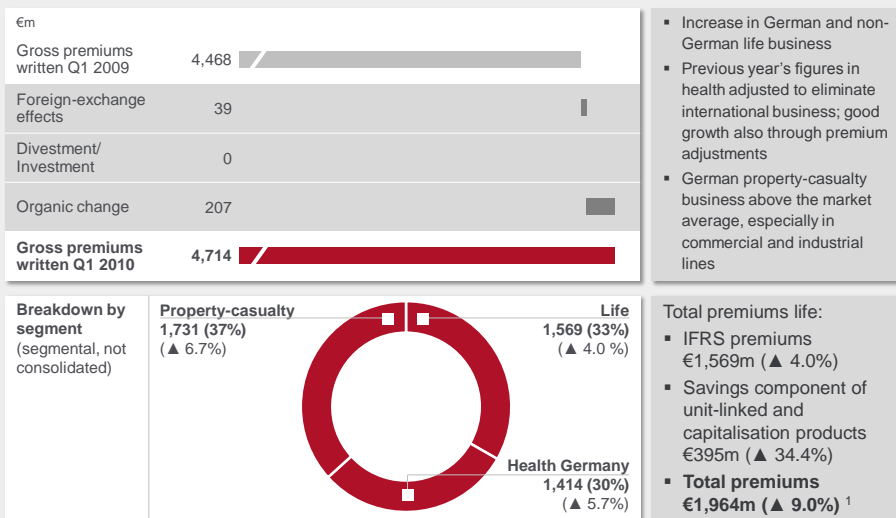
Reasonable start to the year – Result positively influenced by investments

<sup>1</sup> Investment result incl. unrealised gains/losses from investments in unit-linked life insurance; thereof unit-linked business: €147m in Q1 2010 (–€42m in Q1 2009).



## Primary insurance – Premium development

## Significant growth in all business segments

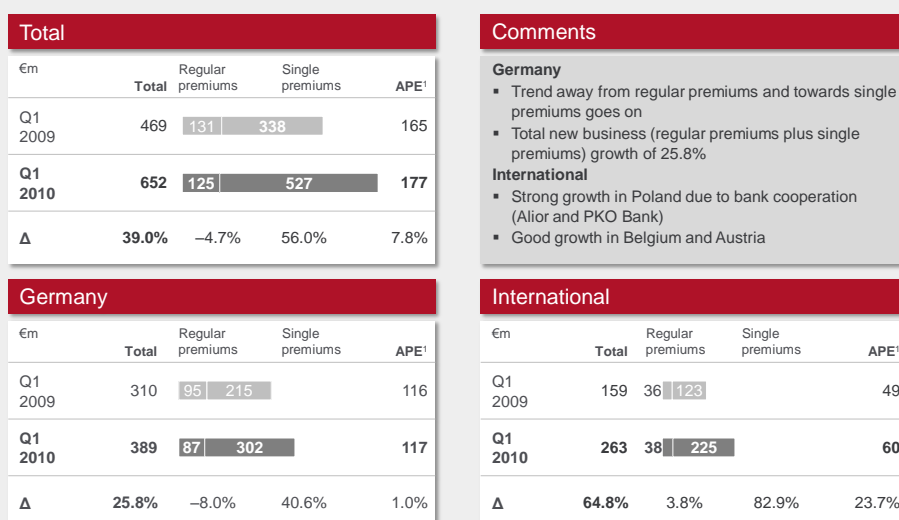


<sup>1</sup> Total premiums German life Q1 2010: €1,429m, 4.0%.

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## Primary insurance – Life – New business

## ERGO new business life insurance (statutory premiums)



## Comments

## Germany

- Trend away from regular premiums and towards single premiums goes on
- Total new business (regular premiums plus single premiums) growth of 25.8%

## International

- Strong growth in Poland due to bank cooperation (Alior and PKO Bank)
- Good growth in Belgium and Austria

<sup>1</sup> Annual premium equivalent (APE = 10% single premiums + regular premiums).

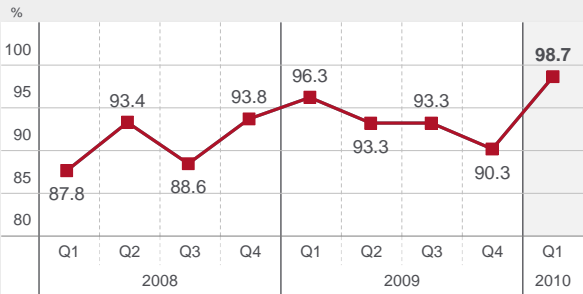
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Primary insurance – Combined ratio property-casualty

Increased combined ratio due to Winter Storm Xynthia and frost damages



%		■ Loss ratio	■ Expense ratio
2008	90.9	58.4	32.5
2009	93.2	60.3	32.9
Q1 2009	96.3	61.7	34.6
Q1 2010	98.7	64.3	34.4



- Business in Germany with higher but still good combined ratio of 92.8% (91.9%) – Expense ratio down on previous year
- Higher claims due to storm Xynthia
- Impact of severe winter, especially in Poland

Agenda



Overview

The Group

Primary insurance

Reinsurance

Munich Health

Outlook

Reinsurance – Overview

Substantial increase in life reinsurance result offset by high losses in property-casualty



Gross premiums written

€m	
Q1 2009	5,404
Q1 2010	5,928
Strong organic growth in life reinsurance and positive effect from HSB acquisition	

Investment result

€m	
Q1 2009	875
Q1 2010	935
Higher regular income, increased disposal gains and lower write-downs	

Technical result

€m	
Q1 2009	320
Q1 2010	108
Exceptional high NatCat losses not fully compensated by increased contribution of life reinsurance	

Operating result

€m	
Q1 2009	857
Q1 2010	605
Solid investment result partly mitigating higher NatCat claims	

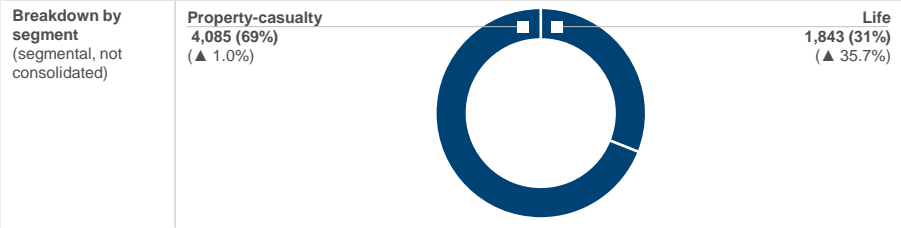
Reinsurance – Premium development

Organic growth in life reinsurance as main driver of premium development



€m	
Gross premiums written Q1 2009	5,404
Foreign-exchange effects	71
Divestment/Investment	149
Organic change	304
Gross premiums written Q1 2010	5,928

- Premium income growth through acquisition of HSB
- Organic growth mainly from quota share deals in life

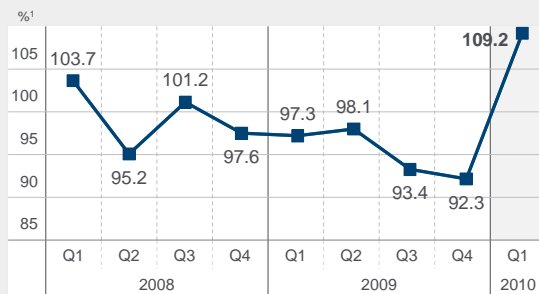


## Reinsurance – Combined ratio property-casualty

## Combined ratio reflects high NatCat losses in Q1 2010



%		■ Loss ratio (Thereof NatCat/Thereof man-made)	■ Expense ratio
2008	99.4	69.6 (6.2/5.0)	29.8
2009	95.3	65.7 (1.4/6.9)	29.6
Q1 2009	97.3	68.5 (5.6/3.0)	28.8
Q1 2010	109.2	81.0 (20.8/2.0)	28.2



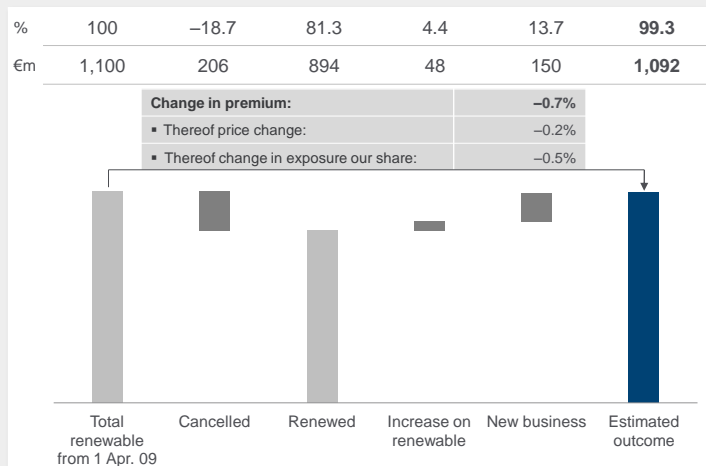
- Major losses in Q1 2010 (€761m) well above 5-year average (€476m)
- NatCat losses in Q1 2010 (€694m) significantly exceed 5-year average (€342m)
- Moderate man-made losses of €67m in Q1 2010; clearly below 5-year average (€134m)
- Slight decrease of expense ratio despite inclusion of HSB with a structurally higher expense ratio

<sup>1</sup> Incl. credit and overhead costs.

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## Reinsurance – April renewal

## Preservation of volumes and prices by successfully defying the competitive market environment



## Market environment

- Significant renewal for markets in Japan, South Korea and US
- Trends from January renewals unchanged
- Ample availability of reinsurance capacity resulting in competitive market environment

## Munich Re portfolio

- Approx. 10% of total p-c treaty book up for renewal in April
- Portfolio profitability and quality preserved due to active portfolio management
- Share of non-prop. business increased to 43% (prev. 40%)
- Proportion of NatCat business and regional split almost constant
- No changes to terms and conditions

Consistent cycle management with clear bottom-line focus maintained

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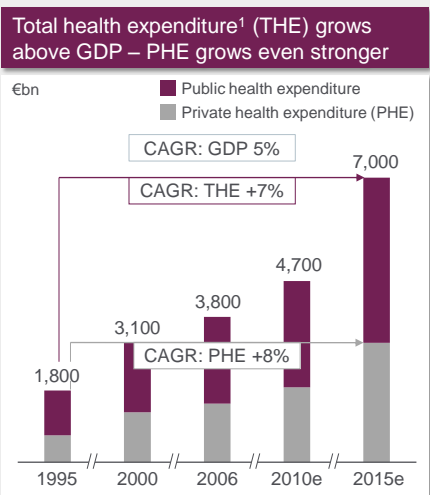
- Overview
- The Group
- Primary insurance
- Reinsurance

Munich Health

Outlook

MUNICH HEALTH – Overview

International health markets will continue to grow above GDP and shift to private sector



- Increase in total health expenditure mainly driven by four significant growth drivers
- Demographic trends: Population growth and longevity
  - Advances in medicine and technology
  - Lifestyle changes: Increased focus on health, but also unhealthy lifestyles
  - Improved economic conditions in many developing countries

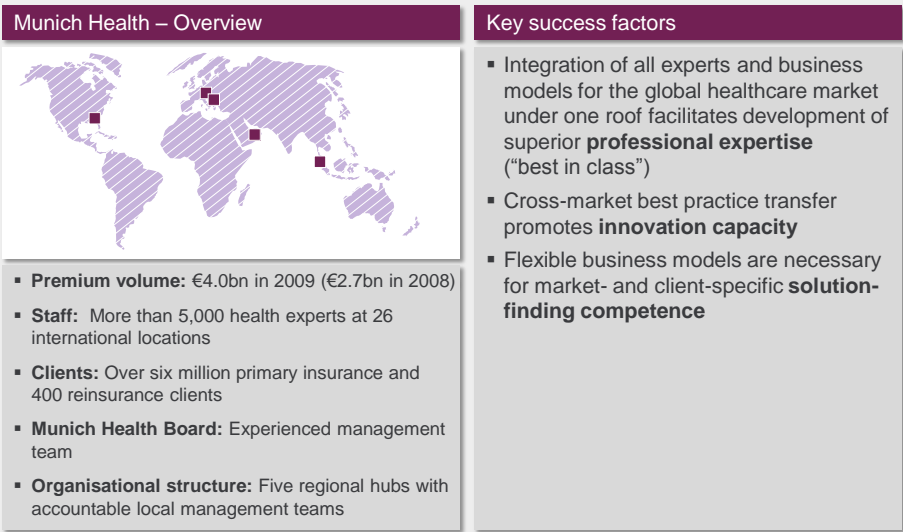
<sup>1</sup> Total health expenditure = sum of public and private health expenditure.  
Source: WHO, Global Insight, Munich Health research

New business field to address growth potential and realise synergies



<sup>1</sup> DKV's German activities not included.

Munich Health – Specialised health risk management with global set-up



Strong top-line growth fuelled by large deals

Gross premiums written

€m	
Q1 2009	769
Q1 2010	1,252
Major reinsurance treaties result in significant growth – Further smaller contracts in Q1	

Investment result

€m	
Q1 2009	24
Q1 2010	33
Rising, but reduced return on investments apparent	

Technical result

€m	
Q1 2009	5
Q1 2010	-5
At 101.3%, combined ratio impacted by start-up costs for young subsidiaries	

Operating result

€m	
Q1 2009	3
Q1 2010	4
Noticeable effect of start-up investments at young subsidiaries	

Outlook – On the way to becoming a global leader in the provision of health risk solutions

Munich Health activities

- Consolidation of business portfolio and implementation of the new operating model along the health risk value chain after establishment of Munich Health in 2009
- Further realisation of synergies on the basis of an integrated organisational platform (product development, claims management, underwriting)
- Realisation of business opportunities in fast-growing emerging markets and capital relief reinsurance to fuel further growth
- Product and process optimisation in mature markets for sustainable bottom-line improvement (fraud and abuse management, disease management, underwriting quality)

Munich Health well positioned to benefit from global healthcare market growth and to achieve sustainable top- and bottom-line growth

Agenda



- Overview
- The Group
- Primary insurance
- Reinsurance
- Munich Health

Outlook

Outlook  
Outlook 2010 – Munich Re to continue to place high emphasis on sustainable earnings



Munich Re (Group)		
<b>RoRAC</b> Target of achieving 15% after tax over-the-cycle to stand	<b>CAPITAL REPATRIATION</b> Continuation of share buy-back programme of up to €1bn until AGM 2011	
<b>GROSS PREMIUMS WRITTEN</b> €43–45bn <sup>1</sup>	<b>NET INCOME</b> Striving for > €2.0bn Getting increasingly ambitious	<b>RETURN ON INVESTMENT</b> Expectation: < 4% High RoI in Q1 not sustainable in the remainder of the year
Reinsurance	Primary insurance	Munich Health
<b>COMBINED RATIO P-C</b> Target: 97% over-the-cycle In 2010 presumably not achievable	<b>COMBINED RATIO P-C</b> Target: < 95%	<b>GROSS PREMIUMS WRITTEN</b> ~€4.5bn

<sup>1</sup> Thereof €22–23bn in reinsurance, €17–18bn in primary insurance and approx. €4.5bn in Munich Health (all on basis of segmental figures).



## Disclaimer

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This presentation 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.

**Note regarding the presentation of the previous year's figures**

- For the new reporting format in connection with the first-time application of IFRS 8 "Operating Segments" as at 1 January 2009, several prior-year figures have been adjusted in the income statement.
- For the sake of better comprehensibility and readability, we have refrained from adding the footnote "Previous year's figures adjusted owing to first-time application of IFRS 8" to every slide.
- For details and background information on IFRS 8, please read the presentation "How does Munich Re apply the accounting standard IFRS 8 'Operating Segments'?" on Munich Re's website ([http://www.munichre.com/en/ir/contact\\_and\\_service/faq/default.aspx](http://www.munichre.com/en/ir/contact_and_service/faq/default.aspx)).
- On 30 September 2008, through its subsidiary ERGO Austria International AG, Munich Re increased its stake in Bank Austria Creditanstalt Versicherung AG (BACAV) and included it in the consolidated group. The figures disclosed at the time of first consolidation were of a provisional nature. Therefore, several previous year figures have been adjusted in order to complete the initial accounting for a business combination (IFRS 3.62).
- Previous year figures also adjusted according to IAS 8.