



# RELIABLE CONTINUITY IN TIMES OF UNCERTAINTY

BALANCE SHEET PRESS CONFERENCE 2012

13 March 2012

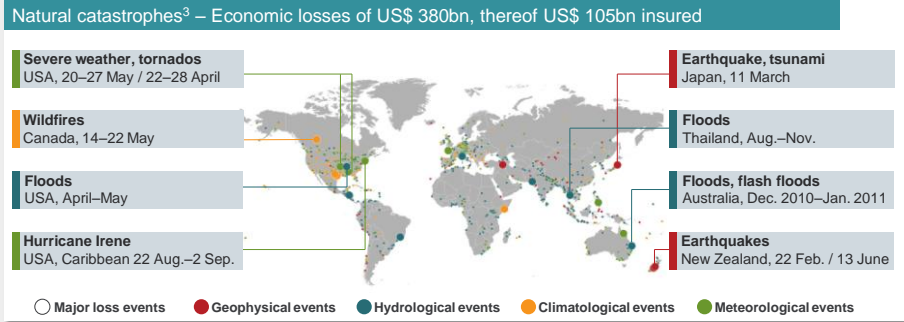
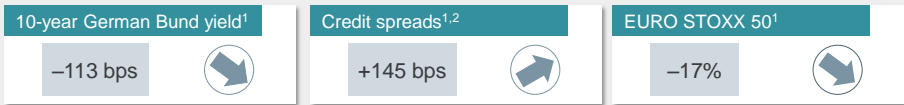
Munich RE 

Agenda



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In 2011 Munich Re coped well with historically high nat cat claims and severe capital market disruption



**In a year of extremes, Munich Re achieved an annual result of €712m and maintained a stable dividend of €6.25 per share**

<sup>1</sup> Change between 31.12.2010 and 31.12.2011. <sup>2</sup> IBOXX EURO Corporate vs. BofAML German Government 7–10 years. <sup>3</sup> Source: Geo Risks Research, NatCatSERVICE. Balance sheet press conference 2012 3

Munich Re's long-term shareholder return remains attractive



**Years of volatile macroeconomic environment**

2007 Subprime crisis → 2008 Credit crisis → 2009 Global recession → 2010/2011 Sovereign crisis → Ongoing uncertainty

**Impact**

Austerity measures and quantitative easing leading to ongoing low interest rates while macroeconomic uncertainty remains

**Earnings pressure**  
Gradual reduction of investment income

**Higher volatility**  
Returns becoming less predictable

**Munich Re focusing on liability side as main source of value creation**

**Risk/return profile<sup>1</sup>**

Total shareholder return (p.a.)

1 Annualised total shareholder return defined as price performance plus dividend yield over the period from 1.1.2005 until 29.2.2012; based on Datastream total return indices in local currency; volatility calculation with 250 trading days per year. Peers: Allianz, Axa, Generali, Hannover Re, Swiss Re, Zurich Financial Services.

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**Capital strength facilitates reliable shareholder participation**

Munich RE logo

**Sustainable book value ...**

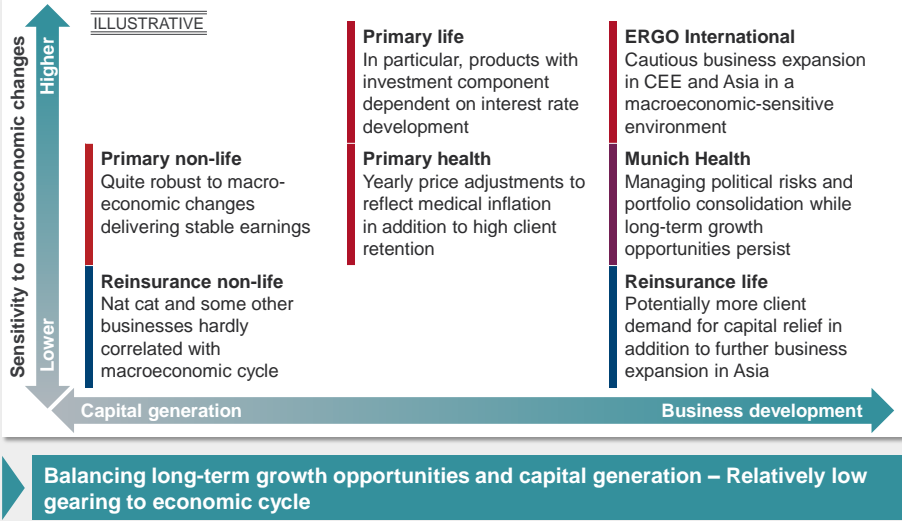
**... and dividend growth**

**Sustainable dividend growth for decades<sup>2</sup> – Providing attractive dividend yield even in challenging times**

<sup>1</sup> Dividend divided by year-end share price.  
<sup>2</sup> 1969 was the only year since 1952 with a decreased dividend per share.

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Business portfolio of complementary profiles performing in any market environment



Munich Re geared to sustainable value generation



- Good track record of dealing with challenging economic conditions**

We remain a strong partner for clients and reliable for shareholders in times of uncertainty
- Integrated business model safeguarding sustainable value generation**

Focus on insurance risks – Limited correlation to economic cycles and capital markets
- Rigorous approach to risk management – High level of investment diversification**

Able to cope with all kinds of scenarios – Actively managing the low-yield environment
- Strong capital position providing flexibility**

Facilitating dividend continuity and allowing us to seize opportunities for profitable growth

Agenda



Reliable continuity in times of uncertainty Nikolaus von Bomhard

**Financial highlights 2011** Jörg Schneider

Primary insurance Torsten Oletzky

Reinsurance Torsten Jeworrek

Summary and Outlook Nikolaus von Bomhard

Overview – Financial highlights 2011

Sound underlying performance in turbulent times



Munich Re (Group)

**NET PROFIT**  
€712m (€632m in Q4)

Impact from nat cat claims and capital market disruption mitigated by sound underlying performance – Positive tax contribution

**SHAREHOLDERS' EQUITY**  
€23.3bn (+4.9% vs. Q3)

Strong capital position allows us to maintain a stable dividend of €6.25 per share<sup>1</sup> and to seize profitable growth opportunities

**INVESTMENT RESULT**  
Rol of 3.4%<sup>2</sup> (3.8% in Q4)

Portfolio diversification and active duration management proves beneficial – Disposal gains partially offsetting high write-downs

Reinsurance

**COMBINED RATIO**  
113.6% (101.8% in Q4)

Exceptionally high nat cat ratio of 28.8%; 4.0%-points of prior-year reserve releases – Favourable development in life

Primary insurance

**CONSOLIDATED ERGO RESULT**  
€349m (€89m in Q4)

Result impacted by several countervailing non-recurring items – Achievement of a consolidated result at prior-year's level

Munich Health

**COMBINED RATIO**  
99.4% (100.4% in Q4)

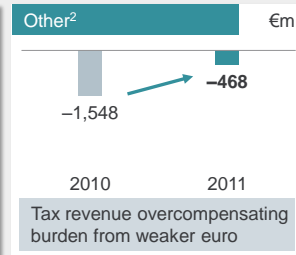
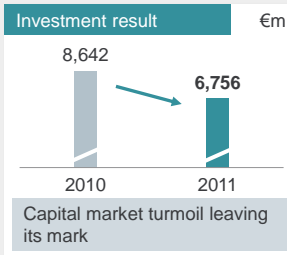
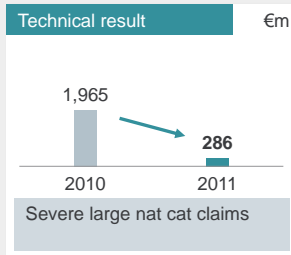
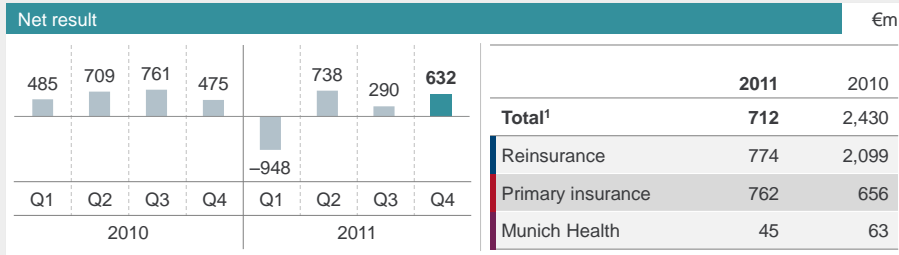
Substantial premium growth due to large-volume deals – Improved operating result while net result distorted by negative currency effects

<sup>1</sup> Subject to approval of AGM.

<sup>2</sup> Adjusted for impact on insurance risk transfer to the capital markets: Rol 3.3%.

Munich Re (Group) – Key figures

## High nat cat claims and volatile capital markets putting pressure on results



<sup>1</sup> Segments do not add up to total amount; difference relates to consolidation and the segment "asset management".  
<sup>2</sup> Other non-operating result, goodwill impairments, finance costs, taxes.

Munich Re (Group) – Capitalisation

## Capital position remains solid – Increase of IFRS equity in Q4

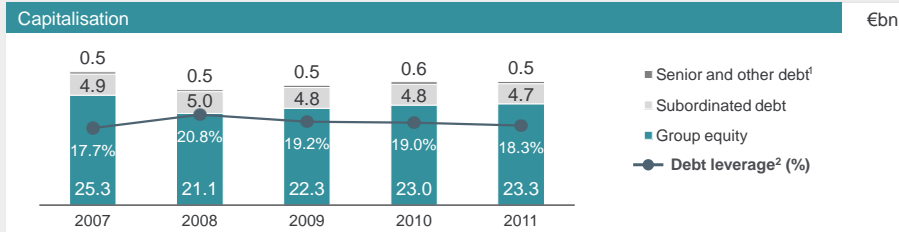


€m	2011	Change Q4
Equity 31.12.2010	23,028	
Consolidated result	712	632
<b>Changes</b>		
Dividend	-1,110	-
Unrealised gains/losses	750	164
Exchange rates	390	459
Share buy-backs	-323	-
Other	-138	-161
<b>Equity 31.12.2011</b>	<b>23,309</b>	<b>1,094</b>

2011: UNREALISED GAINS/LOSSES  
 Afs fixed-interest securities: +€1,572m

Afs non-fixed-interest securities: -€805m

2011: EXCHANGE RATES  
 Positive FX development mainly driven by US\$

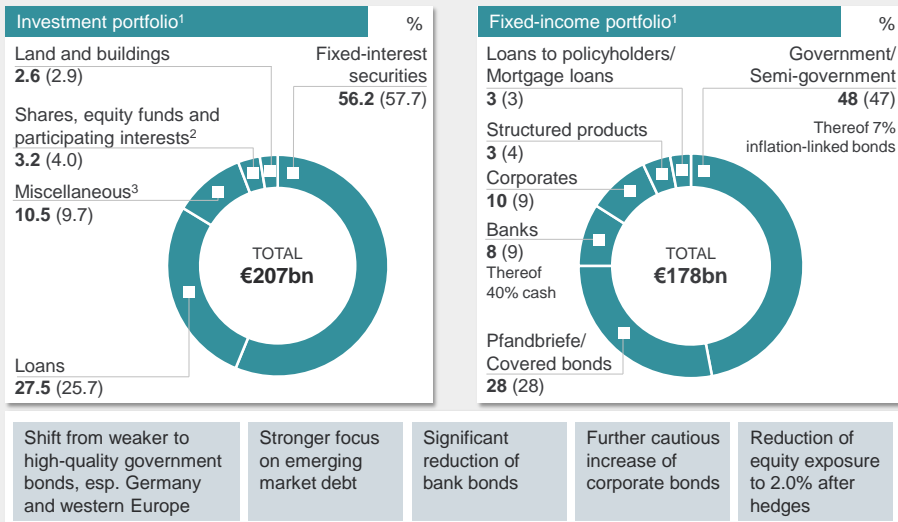


<sup>1</sup> Other debt includes bank borrowings of Munich Re and other strategic debt.

<sup>2</sup> Strategic debt (senior, subordinated and other debt) divided by total capital (= sum of strategic debt + shareholders' equity).

Munich Re (Group) – Investment portfolio

## Active asset management on the basis of a well-diversified investment portfolio



<sup>1</sup> Fair values as at 31.12.2011 (31.12.2010). <sup>2</sup> Net of hedges: 2.0% (4.4%).  
<sup>3</sup> Deposits retained on assumed reinsurance, unit-linked investments, deposits with banks, investment funds (excl. equities), derivatives and investments in renewable energies. Economic view – not fully comparable with IFRS figures. Balance sheet press conference 2012 12

Munich Re (Group) – Investment result

## Stable regular income despite low yields – Write-down of Greek government bonds



Investment result	2011		Return <sup>1</sup>		2010		Return <sup>1</sup>		Q4 2011		Q4 2011	
	€m	€m	%	%	€m	€m	%	%	€m	€m	%	%
Regular income	8,039		4.0%		7,749		4.0%		1,975		3.9%	
Write-ups/write-downs	-1,625		-0.8%		-403		-0.2%		15		0.0%	
Disposal gains/losses	1,244		0.6%		1,649		0.9%		48		0.1%	
Other income/expenses	-902		-0.4% <sup>2</sup>		-353		-0.2%		-97		-0.2%	
<b>Investment result</b>	<b>6,756</b>		<b>3.4%</b>		<b>8,642</b>		<b>4.5%</b>		<b>1,941</b>		<b>3.8%</b>	

Regular income	Write-ups/write-downs		Disposal gains/losses			
	2011	Q4 2011	2011	Q4 2011		
<ul style="list-style-type: none"> <li>Higher dividend income</li> <li>Increase in deposits retained on assumed reinsurance (due to large-volume deals)</li> <li>Average reinvestment yield ~3.0% in second half of 2011</li> </ul>	Major effects	Major effects	Major effects	Major effects		
	Greek bonds	-1,178	-245	Real estate Singapore	257	-
	Equities	-542	-85	Equities	535	74
	Swaptions	368	93	Fixed-income	748	365
	Insurance risk transfer to the capital markets	211	-			

<sup>1</sup> Return on quarterly weighted investments (market values) in % p.a.  
<sup>2</sup> Negative impact from unit-linked business included. Balance sheet press conference 2012 13

Alternative investments in an environment of low interest rates – Renewable energy and infrastructure



Renewable energy



- Investment programme RENT (Renewable Energy and New Technologies) is on track; –€0.5bn invested so far; target volume continues to be €2.5bn
- Investment is focusing on onshore wind, photovoltaics and power grids
- Attractive risk-return profile; diversification advantage has positive impact

New: Infrastructure



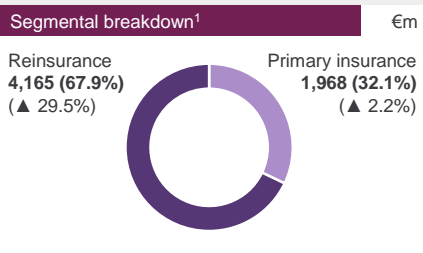
- Additional infrastructure investment programme with a planned volume of €1.5bn in the medium term
- Possible segments: transportation, utilities, communications worldwide
- Use of know-how from core business
- Advantages: long-term cash flows, inflation protection, diversification of overall portfolio

**Higher investments may be possible – But only if there are clear political parameters and appropriate recognition under Solvency II**

Significant premium growth



Gross premiums written		€m
2010	5,140	
Foreign-exchange effects	-84	
Divestment/Investment	325	
Organic change	752	■
<b>2011</b>	<b>6,133</b>	



Gross premiums written		€m
2010	5,140	
Reinsurance	950	■
Primary insurance	43	
<b>2011</b>	<b>6,133</b>	

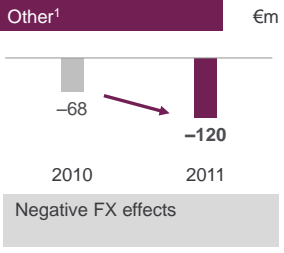
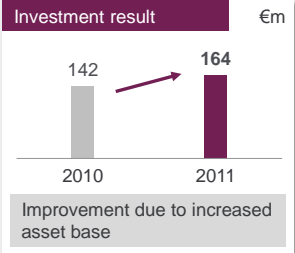
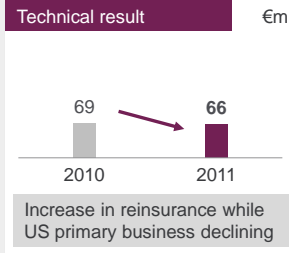
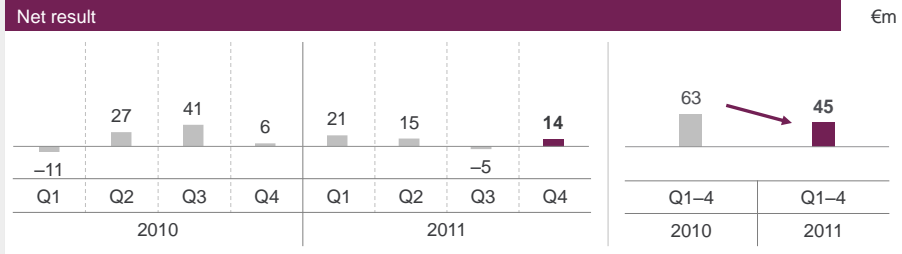
- Reinsurance**  
Ongoing organic growth due to large-volume deals
- Primary insurance**  
Acquisition of Windsor Health Group  
Decline of US private-fee-for-services business

<sup>1</sup> Gross premiums written. Unconsolidated.



Munich Health – Key figures

Munich Health



<sup>1</sup> Other non-operating result, goodwill impairments, finance costs, taxes.

Key takeaways

Solid financial result 2011 in a challenging environment



- Resilient earnings in 2011 based on prudent financial management
- Well-diversified investment portfolio mitigates capital market disruption
- Sound capital base maintained – Dividend remains well financed

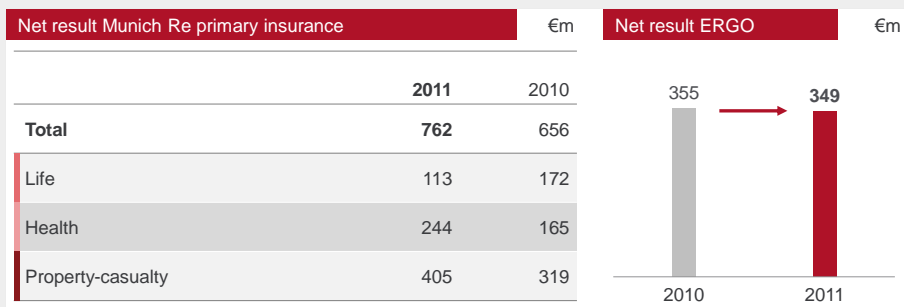
Agenda



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Primary insurance – Key figures

Net result ERGO stable



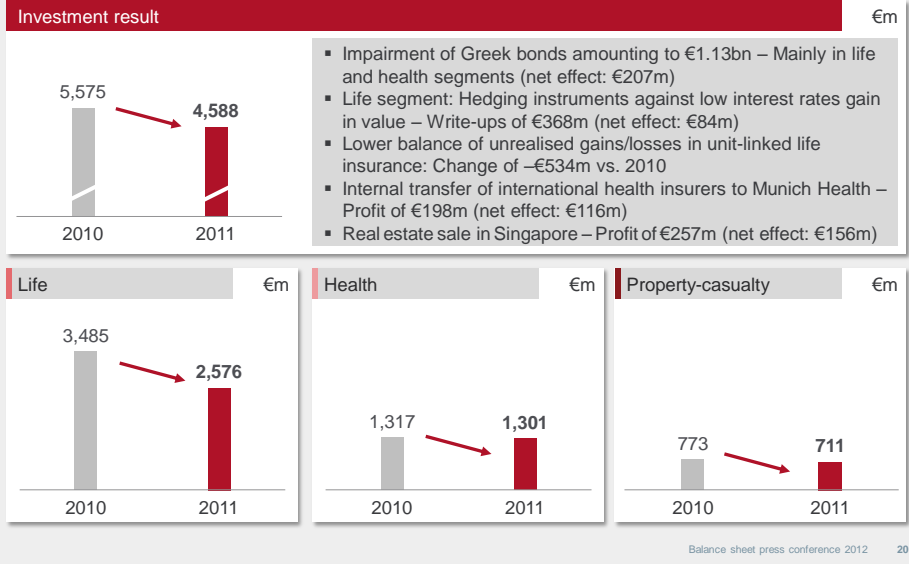
Net result Munich Re includes transactions between primary insurance segments

Net result ERGO after consolidation of inter-segment transactions

Munich Re and ERGO results influenced by positive and negative one-off effects from investments

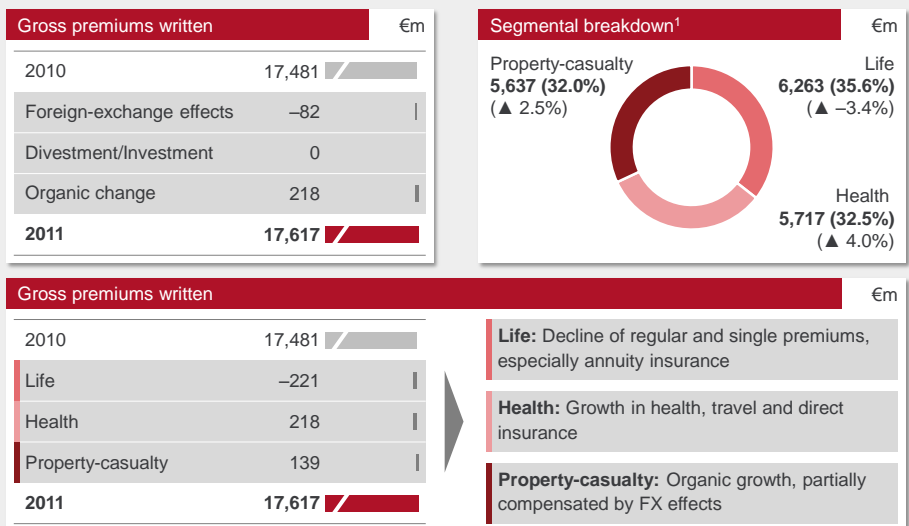
Primary insurance – Key figures

Investment result with many one-off effects



Primary insurance – Premium development

Overall stable premium income



Primary insurance – Key figures

### Similar growth trends in German and international business



Primary insurance – Life – New business

### Primary life – New business (statutory premiums)



**Total** €m

	Total	Regular premiums	Single premiums	APE <sup>1</sup>
2010	2,920	511	2,409	752
2011	2,741	533	2,208	754
Δ	-6.1%	4.3%	-8.3%	0.3%

**Comments**

**Germany**

- Growth in regular premiums
- Single-premium business down – for whole market
- Good growth in corporate pension business

**International**

- Growth in Belgium (APE 21.4%) and Poland (APE 6.7%)
- Austria (APE -23.0%): Lower premiums due to change in tax legislation

**Germany** €m

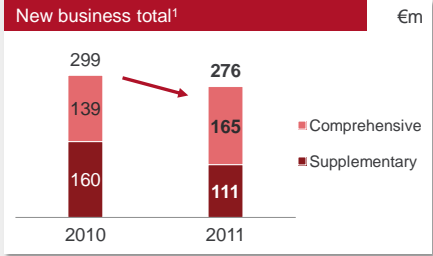
	Total	Regular premiums	Single premiums	APE <sup>1</sup>
2010	1,940	331	1,609	492
2011	1,806	351	1,455	497
Δ	-6.9%	6.0%	-9.6%	1.0%

**International** €m

	Total	Regular premiums	Single premiums	APE <sup>1</sup>
2010	980	180	800	260
2011	935	182	753	257
Δ	-4.6%	1.1%	-5.9%	-1.2%

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

Health – Extensive action programme



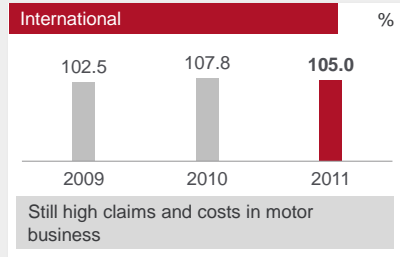
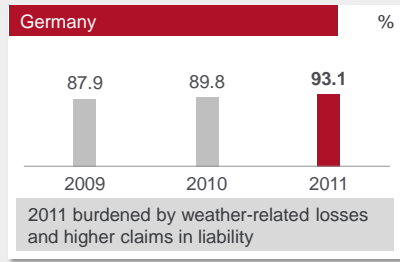
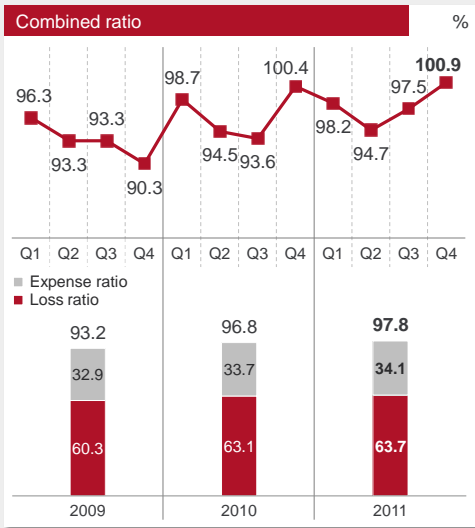
**Comprehensive**  
Growth of 18.4% spurred by abolition of 3-year-waiting period as of 1 January 2011

**Supplementary**  
Last year's figures positively influenced by one single large contract amounting to >€60m<sup>2</sup>; adjusted for that, growth in supplementary business would have been ~13% compared to -30.6% actual

- Highlights**
- Clearer focus on high-quality business – Abolition of low-price tariffs in comprehensive business
  - Start of internet-based service initiative myDKV
  - Introduction of supplementary business calculated according to p-c criteria
  - Successful introduction of innovative after-the-event-product "instant dental cover" in April 2011 at ERGO Direct
    - Claims development broadly in line with expectations – Somewhat higher claims at inception
  - Close control of portfolio development: 17,000 policies sold

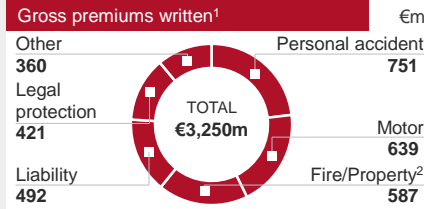
<sup>1</sup> Without travel business, which is short-term business only.  
<sup>2</sup> Change in disclosure: last year, this contract was shown as comprehensive business.

Higher combined ratio in Germany – Improving international business



Primary insurance – Property-casualty

## German business well-diversified and profitable



### Highlights

**Personal accident**

Stable business and high profitability

**Motor**

Market-wide better rates in 2011 – But higher claims frequency due to weather-related incidents

**Fire/Property**

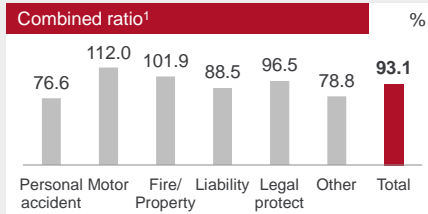
Growth mainly from profitable commercial/ industrial business – Combined ratio of homeowners' insurance market-wide not sufficient

**Liability**

Overall excellent business

**Legal protection**

Market leading position via D.A.S.



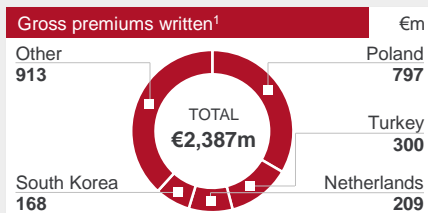
**Combined ratios in Germany have been well below overall target of 95% for years**

<sup>1</sup> As at 31.12.2011. IFRS figures.

<sup>2</sup> Including among others homeowners and household insurance.

Primary insurance – Property-casualty

## International business shows signs of recovery



### Highlights

**Poland**

Business returns to underwriting profit

**Turkey**

Business still challenging but first signs of turnaround

**Netherlands**

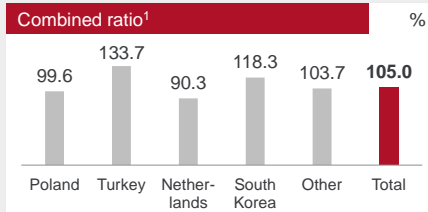
Legal protection business only – Market leading position with consistently low combined ratio

**South Korea**

Motor market and own operations not satisfactory – Review of strategic options

**Portugal**

Activities sold in 2011 – Subcritical size, P&L deconsolidation as at 30 September 2011



**Ambition: Combined ratio of ~100% in 2013 – Strict focus on improvement of profitability and consistent implementation of turnaround measures show positive impact**

<sup>1</sup> As at 31.12.2011. IFRS figures.

Key takeaways



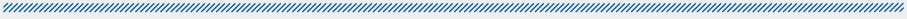
**IFRS result** satisfactory under given market conditions

**Economic earnings** development indicates further challenges

**Life and health insurance** – Safeguard existing portfolio and adapt new business to changing environment

**Property-casualty insurance** – Continue international turnaround to return to overall combined ratio target level of below 95%

Agenda



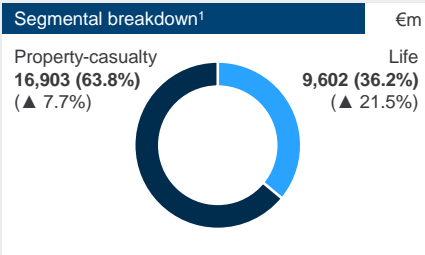
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Reinsurance – Premium development

Strong increase driven by organic growth



Gross premiums written		€m
2010	23,602	
Foreign-exchange effects	-499	
Divestment/Investment	0	
Organic change	3,402	
<b>2011</b>	<b>26,505</b>	



Gross premiums written		€m
2010	23,602	
Life	1,701	
Property-casualty	1,202	
<b>2011</b>	<b>26,505</b>	

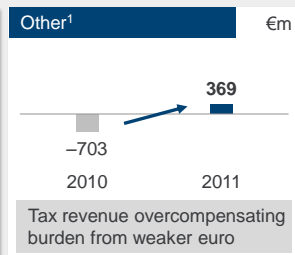
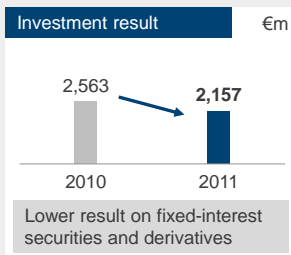
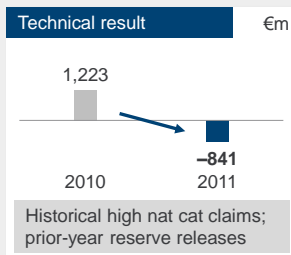
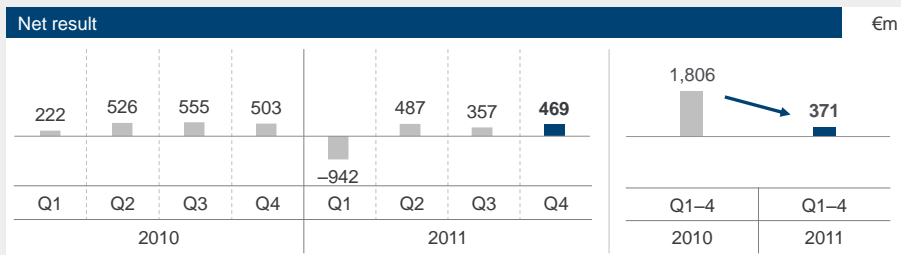
**Life**  
Substantial organic growth due to expansion in Asia and large-volume capital relief deals

**Property-casualty**  
Good organic growth, especially in nat cat and motor business, as well as large solvency-related deals

<sup>1</sup> Gross premiums written. Unconsolidated.

Reinsurance – Key figures

Reinsurance property-casualty



<sup>1</sup> Other non-operating result, goodwill impairments, finance costs, taxes.



Reinsurance – Property-casualty – Combined ratio

Combined ratio reflects severe nat cat losses ...



%	Basic losses	Nat cat losses	Man-made losses	Expense ratio	
2009	95.3	57.5	1.4	6.9	29.5
2010	100.5	53.6	11.0	4.7	31.2
2011 <sup>1</sup>	113.6	50.8	28.8	3.7	30.3
Q4 2011	101.8	43.2	22.7	4.0	31.9

Reserve releases: More than €600m (4.0%-pts.) in 2011 – About €400m (10.3%-pts.) in Q4 2011

Major losses 2011		€m	
2011	5,126	4,544	582
5-year average	2,225	1,554	671

Legend: Natural catastrophes (blue), Man-made (black)

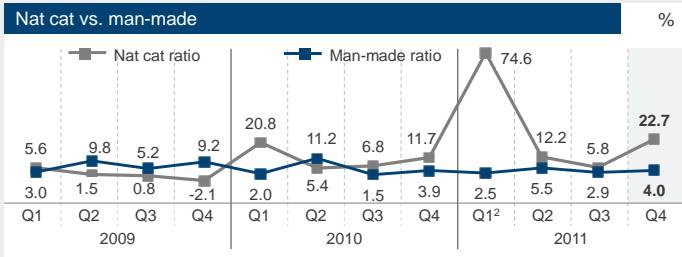
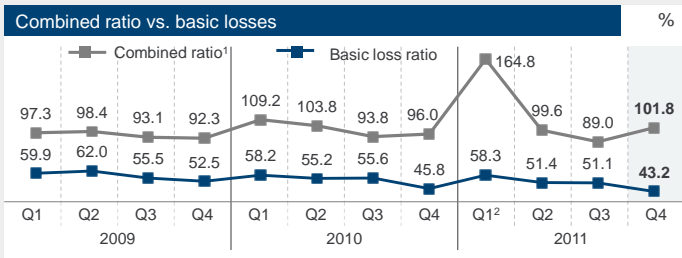
Major losses Q4 2011		€m	
Q4 2011	1,126	955	171
5-year average	504	264	240

Legend: Natural catastrophes (blue), Man-made (black)

<sup>1</sup> Before insurance risk transfer to the capital markets.

Reinsurance – Property-casualty – Combined ratio

... while underlying development remains sound



Major losses 2011		€bn
Earthquake Japan		~1.5
Earthquakes New Zealand		~1.5
Flood Thailand		~0.5
Flood Queensland		~0.2
Hurricane Irene, USA		~0.1

<sup>1</sup> Including overhead costs.  
<sup>2</sup> Before insurance risk transfer to the capital markets.

Reinsurance – Settlement of mega losses

Example of Chile 2010: Consultancy and swift settlement reduce loss amount




**Prevention**

- Seminars and earthquake simulation workshops for cedants
- Intensive advice improves emergency planning and thus reaction capability in the event of a loss


**After the 2010 quake**

**Mass damage to residential buildings**



Immediate talks with primary insurers and swift advance payments facilitate reconstruction

**Large losses**



Engineers quickly inspect the largest industrial losses. Aim: quick repairs and short business interruption

**Support for cedants and efficient claims handling on the spot brings benefits for all parties – Savings in the high double-digit million range**

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Reinsurance – Property-casualty – Nat cat business

Nat cat remains a key profitability contributor for p-c reinsurance business



**Attractive risk-return profile**

Premiums	[Bar extending across the top]	
Losses	[Bar starting from the right]	[Bar extending across the top]
Expenses	[Bar starting from the middle]	[Bar extending across the top]
Cost of capital	[Bar starting from the left]	[Bar extending across the top]
Economic profit <sup>1</sup>	[Bar extending across the top]	[Bar extending across the top]

Illustrative

**Sustainable profitability in the past ...**

- Risk analysis capabilities, local presence, and in-house nat cat and geological expertise ensure best practice pricing
- Stringent management of risk limitation

➔ Even including exceptional years like 2005 and 2011, Munich Re's nat cat business has been profitable for more than 15 years

**... expected to be maintained in the future**

- Munich Re's nat cat exposure continuously trending higher
- Increased expected losses based on model adjustments (e.g. RMS11)
- Inclusion of so far differently allocated losses (e.g. non-modelled scenarios)

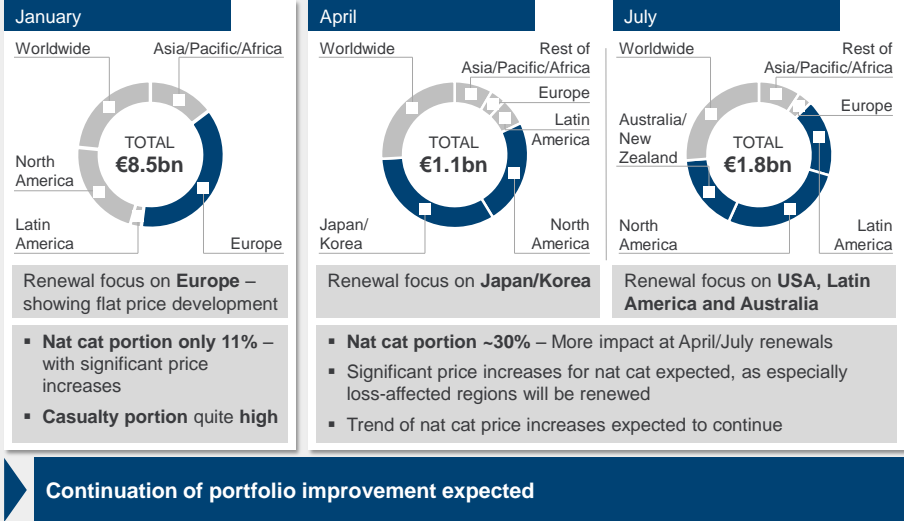
➔ Increase of nat cat share in combined ratio to 8.5%-pts. within a large loss assumption of 12%-pts.

**Higher combined ratio reflects nat cat impact observed over recent years**

Balance sheet press conference 2012 35

<sup>1</sup> Accumulated economic profit 1995–2011.

Ongoing price increases expected in upcoming renewals

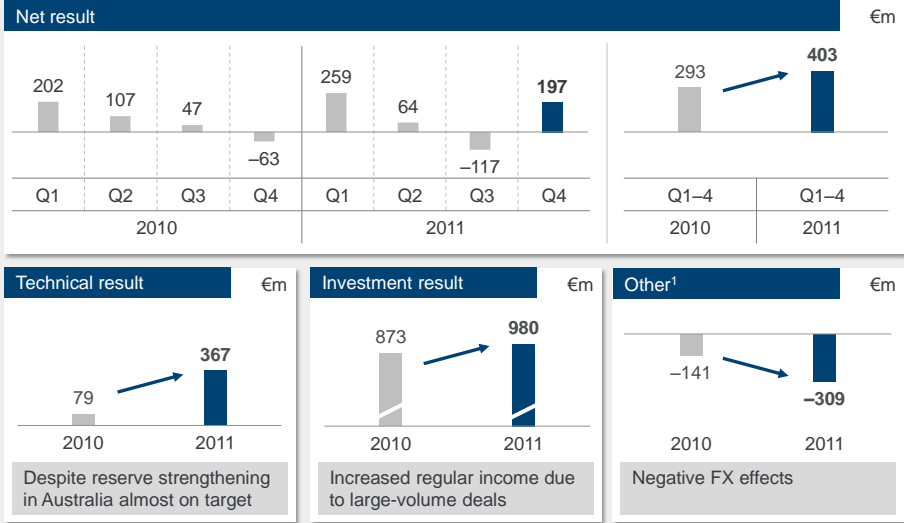


Key takeaways



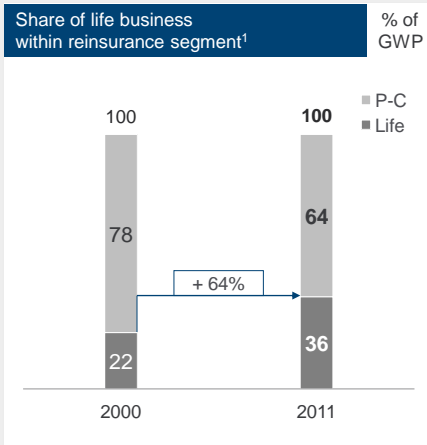
- Property-casualty segment continues to show organic growth based on a strong underlying combined ratio
- Even after extraordinary high losses from natural catastrophes in 2011 Munich Re's nat cat business remains an important profit contributor
- Pleasing development in the January renewals based on strict bottom-line orientation in tandem with profitable strategic and opportunistic growth – improving pricing prospects for coming renewals during 2012

Reinsurance – Key figures  
Life reinsurance

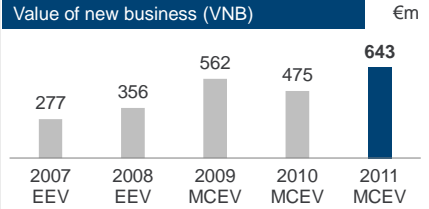
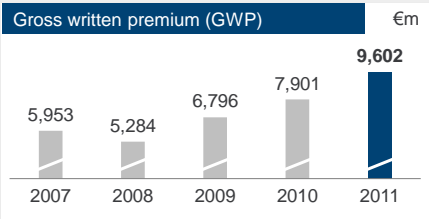


<sup>1</sup> Other non-operating result, goodwill impairments, finance costs, taxes.

Life reinsurance  
Life reinsurance essential and increasingly important pillar within Munich Re



**Life share increased by another 3%-pts. in 2011**



**New record year 2011**

<sup>1</sup> Segmental share of gross written premium (health reinsurance excluded).

### Growth fostered by business initiatives



### Agenda

Reliable continuity in times of uncertainty	Nikolaus von Bomhard
Financial highlights 2011	Jörg Schneider
Primary insurance	Torsten Oletzky
Reinsurance	Torsten Jeworrek
<b>Summary and Outlook</b>	<b>Nikolaus von Bomhard</b>

Outlook 2012 – Back to normal

Munich Re (Group)

<b>GROSS PREMIUMS WRITTEN</b> €48–50bn		<b>RETURN ON INVESTMENT</b> ~3.5%	<b>NET RESULT</b> ~€2.5bn
Reinsurance €25–27bn Primary insurance €17–18bn Munich Health slightly above €6bn	Ongoing low interest rate environment gradually reducing running yield to slightly below 4%		RoRaC target of 15% after tax over the cycle to stand Significantly improving technical result
<b>Reinsurance</b> <b>Combined ratio</b> ~96% over the cycle <b>Net result</b> €1.9–2.1bn	<b>Primary insurance</b> <b>Combined ratio</b> <95% <b>Net result ERGO</b> ~€400m	<b>Munich Health</b> <b>Combined ratio</b> ~99% <b>Net result</b> €50–100m	

Disclaimer

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.