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Press release

Munich Re with positive outlook for 2012 – Profit guidance of €2.5bn

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Munich Re has made a good start to 2012 and is aiming for a profit of around €2.5bn. CEO Nikolaus von Bomhard was optimistic about the Group's business prospects. Munich Re concluded the financial year 2011 with a profit of €712m, despite an extremely difficult environment. Thanks to its financial strength, Munich Re intends to pay an unchanged dividend of €6.25 per share for the financial year 2011. This proposal is subject to the approval of the Annual General Meeting.

In the financial year 2011, the insurance industry faced an unprecedented cluster of severe natural catastrophes. At the same time, the financial crisis worsened, with interest-rate levels generally remaining low. CEO Nikolaus von Bomhard summed up the year 2011 for Munich Re: "In this exceptional situation, our integrated business strategy – combining primary insurance and reinsurance under one roof – proved its worth. We were able to conclude 2011 with a respectable annual result, a notable achievement and impressive testimony to the Group's resilience."

"With our still robust capitalisation and favourable earnings prospects, we will be able to propose an unchanged dividend of €6.25 a share at the Annual General Meeting", von Bomhard emphasised, adding that Munich Re had sufficient financial strength to exploit opportunities for growth in all three fields of business.

Von Bomhard was optimistic regarding 2012: "Particularly after major losses of the kind we experienced in the past financial year, risk awareness is heightened. Our global presence enables us to take specific advantage of business opportunities in attractive markets and segments." He stated that the satisfactory renewals of reinsurance treaties in the property-casualty segment at 1 January 2012 had provided a good start to the year. Furthermore, Munich Re anticipated that demand for reinsurance solutions would continue to rise in the further course of the financial crisis and as a result of the introduction of Solvency II. "In primary insurance, ERGO will further advance the internationalisation of its business, while in Germany its objective is to expand mainly in the profitable property-casualty insurance sector", said the CEO.

Summary of the figures for the financial year 2011

In 2011, the Group posted an operating result of €1,180m (3,978m). Group equity increased to €23.3bn (31 December 2011: €23.0bn) owing partly to the consolidated result, but also to a rise in the reserve for currency translation adjustments and net unrealised gains. The return on risk-adjusted capital after tax (RORAC) amounted to 3.2% for 2011 (previous year: 13.5%), and the return on equity (RoE) to 3.3%. Gross premiums written rose significantly by almost 9% to €49.6bn (45.5bn) due to strong organic growth, especially in the life and property-casualty reinsurance segments and Munich Health.

Munich Re has a comfortable capital buffer. Its available financial resources, including the subordinated bonds it has issued, amounted to €28.3bn at 31 December 2011. This figure compares with a risk capital requirement of €24.4bn based on conservative internal calculations. The economic solvency ratio thus totals 111% (136%), a year-on-year decline of 25 percentage points that is largely ascribable to the very low interest rates and high volatility on the capital markets. Nevertheless, the figure still clearly reflects Munich Re's capital strength – Munich Re's economic risk capital, which produces the solvency ratio described above, corresponds to 1.75 times the capital that is likely to be necessary under Solvency II based on the Group's internal risk model. Munich Re's available financial resources therefore add up to 194% of the required risk capital under Solvency II.

As part of its active capital management, Munich Re intends to buy back an outstanding subordinated bond and to issue a new subordinated bond. Owing to restrictions resulting from US legislation, 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. This new bond is designed to be compliant with the existing (Solvency I) and anticipated future (Solvency II) supervisory regime, and to meet current rating agency requirements.

Primary insurance: Result situation stable at €762m

The 2011 operating result in primary insurance business totalled €1,189m (1,269m). Before elimination of intra-Group transactions across segments, the consolidated result rose to €762m (656m). The ERGO Insurance Group, in which Munich Re concentrates its primary insurance business, showed a profit of the same level as in the previous year: €349m (355m). In 2011, Munich Re's primary insurance business was impacted by several one-off effects: the burdens from write-downs of Greek government bonds contrasted with, among other things, gains on the disposal of a real-estate company in Singapore and the intra-Group sale of ERGO's shares in the foreign health insurers of the DKV Group.

Overall premium income across all lines of business increased by 0.5% to €19.25bn (19.16bn). Gross premiums written in the primary insurance segment in the financial year 2011 rose marginally by 0.8% to €17.6bn (17.5bn).

ERGO CEO Torsten Oletzky commented: "Given the capital market environment, I am satisfied with our business development and stable profit. In 2011, ERGO also invested a great deal of effort in systematically investigating accusations levelled at the group. We immediately and thoroughly looked into every accusation made, and we took the necessary measures without delay. We remain committed to our goal of realising our brand mission 'To insure is to understand', which we are pursuing with great resolve." Oletzky mentioned that, in realigning its structured sales force ERGO Pro (formerly HMI) and introducing online customer ratings for its sales agents, ERGO was delivering a clear message.

Reinsurance: Result of €774m, despite major losses

Reinsurance business was marked by exceptionally high claims costs for major losses in 2011. The operating result amounted to €714m (2,943m). Altogether, the reinsurance field of business accounted for €774m (2,099m) of the Group consolidated result.

Munich Re posted premium income in reinsurance of €26.5bn (23.6bn) in 2011, a significant improvement of 12.3% compared with the previous year. New business was written especially in strongly growing markets, with a substantial portion coming from treaties providing capital relief through risk transfer and from the expansion of strategic partnerships.

Torsten Jeworrek, Munich Re's Reinsurance CEO: "Reinsurance is an efficient and flexible option for protecting primary insurers against major claims and accumulation losses, or strengthening their capital base. And we partner our clients in the often challenging task of adjusting to changes in regulatory requirements, which are being extensively reformed in many countries." Munich Re also sees growth opportunities in life reinsurance: "There is continuing demand for large-volume capital substitute solutions", added Jeworrek.

For the renewals at 1 April 2012 (Japan and Korea) and 1 July 2012 (mainly parts of the US market, Australia and Latin America), a premium volume (last year) of around €2.9bn will be up for renewal, with a greater proportion of natural catastrophe business than the renewals in January. Munich Re projects further price increases here, particularly in loss-affected regions. Jeworrek stressed that – as in the previous renewals – Munich Re would be strictly focusing on profitability: "We will only provide reinsurance cover if the prices are commensurate with the risk."

Munich Health: Result of €45m

Munich Health's operating result amounted to €165m (131m), and contributed €45m (63m) to the Group's overall result. The figure was heavily impacted by foreign exchange losses.

Gross premium income climbed markedly by 19.3% to €6.1bn (5.1bn) in 2011, primarily owing to large-volume reinsurance treaties providing clients with capital relief. If exchange rates had remained the same, premium volume would have increased by 20.9% compared with the previous year. Munich Re's US health

insurers – the Windsor Health Group and Sterling Life – have both been operating under the common Windsor Health Group brand since the end of the second quarter.

Investments: Investment result falls to €6.8bn

At €201.7bn (207.1bn at market values), total investments at 31 December 2011 increased by €8.6bn or 4.5% compared with year-end 2010, chiefly due to the decline in risk-free interest rates.

The Group's investment result showed a year-on-year decline of 21.8% to €6.8bn (8.6bn) in 2011. Annualised, the result represents a return of 3.4% in relation to the average market value of the portfolio. The equity-backing ratio at 31 December 2011 was 2.0% (31 December 2010: 4.4%), based on the Group's total investments at market value, including equity-linked derivatives. Fixed-interest securities, loans and short-term fixed-interest investments continued to make up the greater part of Munich Re's investments, with a market value of €178.3bn.

The overall balance of write-ups and write-downs plus net gains on disposals amounted to –€381m (1,246m) for 2011. Expenses for write-downs to market values as at the end of 2011 on Greek government securities alone totalled €1.2bn (245m of this in the fourth quarter), impacting the consolidated result with €232m (62m in the fourth quarter). By contrast, the Greek debt restructuring and bond exchange will at most lead to relatively low expenses in 2012. After the price slumps on the stock markets, Munich Re had to make write-downs of €544m (277m) on non-fixed-interest securities. The Group made net write-ups of €368m (80m) on swaptions, which are used by Munich Re's life primary insurers as protection against reinvestment risks in phases of low interest rates. Net gains on the disposal of investments were high at €1.2bn. A large portion of these came from Munich Re's fixed-interest portfolio, where the Group realised gains mainly from the restructuring of investments in government bonds and pfandbriefs. These more than compensated for the losses on disposal from the reduction of our southern European and Irish government bonds. Sales of equity holdings also brought clear profits.

In view of the volatile development of the capital markets and the uncertainty surrounding the further course of the financial crisis, CFO Jörg Schneider expressed satisfaction with the investment result: "Our broadly diversified portfolio helps us: the positive impact of the strong price gains in our large portfolio of bonds from Germany and the USA clearly outweighed the price losses on southern European government bonds."

The Group's asset manager is MEAG MUNICH ERGO AssetManagement GmbH, which in addition to Group investments had segregated and retail funds totalling €10.4bn (10.2bn) under management as at 31 December 2011.

Outlook for 2012: Profit guidance of around €2.5bn

Based on exchange rates remaining stable, the Group anticipates that for the financial year 2012 its gross premiums written will range between €48bn and €50bn. Gross premium income of between €25bn and €27bn is expected in the reinsurance segment, and a figure of between €17bn and €18bn for primary insurance. Total premium income in primary insurance (including the savings premiums of unit-linked life insurance and capitalisation products) should be slightly over €19bn. Gross premiums written of just over €6bn are expected for Munich Health.

Prospects in property-casualty reinsurance are brightening increasingly, leading Munich Re to target a combined ratio of around 96% of net earned premiums over the market cycle as a whole. In property-casualty primary insurance, the target for 2012 remains a combined ratio of under 95%.

For 2012, Munich Re does not anticipate any rapid or significant rise in capital market interest rates, so regular income from investments is likely to be lower. A return on investment of around 3.5% would mean an investment result of approximately €7.2bn, i.e. slightly higher than last year, which was impacted by high write-downs on Greek securities, but lower than in previous years.

The consolidated result in reinsurance should total between €1.9bn and €2.1bn in 2012. For the ERGO Group, Munich Re expects a consolidated result of around €400m. Munich Re's projection for the consolidated result of the Munich Health business field lies between €50m and €100m.

Given average claims experience and in expectation of a rising price trend overall in reinsurance, Munich Re anticipates a significantly improved underwriting result for 2012, as things stand at present. Subject to actual claims experience with regard to major losses and the impact on the income statement of severe currency or capital market developments, Munich Re aims to achieve a consolidated result in the region of €2.5bn.

As already announced, pending the approval of the Annual General Meeting, Munich Re intends to pay an unchanged dividend for the past financial year of €6.25 per share in April 2012, equivalent to a total payout of €1.1bn based on the shares currently in circulation. "Altogether, we will then have paid over €5bn in dividends since the beginning of the financial crisis – that is, in the period from 2007 to 2011. In terms of dividend yield, this puts us at the head of the field among DAX 30 stocks", said 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 2011, the Group – which pursues an integrated business model consisting of insurance and reinsurance – achieved a profit of €0.71bn on premium income of around €50bn. It operates in all lines of insurance, with around 47,000 employees throughout the world. With premium income of around €27bn 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. Its primary insurance operations are concentrated mainly in the ERGO Insurance Group, one of the major insurance groups in Germany and Europe. ERGO is represented in over 30 countries worldwide and offers a comprehensive range of insurances, provision products and services. In 2011, ERGO posted premium income of €20bn. 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 €202bn 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.

Munich, 13 March 2012

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Key figures (IFRS) for the Group in the financial year 2011
 (in €m unless otherwise indicated)

At a glance:

- CEO Nikolaus von Bomhard: "In 2012, we are aiming for a consolidated result of €2.5bn."
- Consolidated profit of over €712m for the year 2011
- Primary insurance: Segment result of €762m
- Reinsurance: Result of €774m despite major losses
- Munich Health: Contribution of €45m to Group result

	2011	2010	Change	
			Absolute	%
Gross premiums written	49,572	45,541	4,031	8.9
Net earned premiums	47,412	43,075	4,337	10.1
Net expenses for claims and benefits	41,034	36,583	4,451	12.2
Technical result	286	1,965	-1,679	-85.4
Investment result	6,756	8,642	-1,886	-21.8
Thereof realised capital gains	5,438	3,743	1,695	45.3
realised losses	4,194	2,094	2,100	100.3
Non-technical result	894	2,013	-1,119	-55.6
Operating result	1,180	3,978	-2,798	-70.3
Finance costs	288	293	-5	-1.7
Taxes on income	-552	692	-1,244	-
Consolidated profit	712	2,430	-1,718	-70.7
Thereof attributable to				
Munich Reinsurance Company equity holders	702	2,422	-1,720	-71.0
minority interests	10	8	2	25.0
	31.12.2011	31.12.2010		
Investments	201,707	193,108	8,599	4.5
Equity	23,309	23,028	281	1.2
Employees	47,206	46,915	291	0.6
	REINSURANCE*	2011	2010	Change
			Absolute	%
Gross premiums written	26,505	23,602	2,903	12.3
Thereof life	9,602	7,901	1,701	21.5
property/casualty	16,903	15,701	1,202	7.7
Combined ratio in %	113.6	100.5	13.1	
Technical result	-474	1,302	-1,776	-
Non-technical result	1,188	1,641	-453	-27.6
Operating result	714	2,943	-2,229	-75.7
Result	774	2,099	-1,325	-63.1
	PRIMARY INSURANCE*			
Gross premiums written	17,617	17,481	136	0.8
Combined ratio in %	97.8	96.8	1.0	
Technical result	690	648	42	6.5
Non-technical result	499	621	-122	-19.6
Operating result	1,189	1,269	-80	-6.3
Result	762	656	106	16.2

MUNICH HEALTH*	2011	2010	Change	
			Absolute	%
Gross premiums written	6,133	5,140	993	19.3
Combined ratio in %	99.4	99.7	-0.3	
Technical result	66	69	-3	-4.3
Non-technical result	99	62	37	59.7
Operating result	165	131	34	26.0
Result	45	63	-18	-28.6
SHARES	2011	2010	Change	
Earnings per share in €	3.94	13.06	-9.12	-69.8

* Before elimination of intra-Group transactions across segments.

Key figures (IFRS) for the Group in the fourth quarter of 2011
 (in €m unless otherwise indicated)

	4th quarter 2011	4th quarter 2010	Change	
			Absolute	%
Gross premiums written	12,406	11,481	925	8.1
Net earned premiums	12,371	11,121	1,250	11.2
Net expenses for claims and benefits	10,129	8,723	1,406	16.1
Technical result	584	503	81	16.1
Investment result	1,941	1,361	580	42.6
Thereof realised capital gains	1,396	803	593	73.8
realised losses	1,348	563	785	139.4
Non-technical result	194	108	86	79.6
Operating result	778	611	167	27.3
Finance costs	74	74	-	-
Taxes on income	-144	-167	23	13.8
Consolidated profit	632	475	157	33.1
Thereof attributable to				
Munich Reinsurance Company equity holders	627	467	160	34.3
minority interests	5	8	-3	-37.5
REINSURANCE*	4th quarter 2011	4th quarter 2010		Change
			Absolute	%
Gross premiums written	6,540	5,974	566	9.5
Thereof life	2,402	1,985	417	21.0
property/casualty	4,138	3,989	149	3.7
Combined ratio in %	101.8	96.0	5.8	
Technical result	301	277	24	8.7
Non-technical result	456	154	302	196.1
Operating result	757	431	326	75.6
Result	666	440	226	51.4
PRIMARY INSURANCE*	4th quarter 2011	4th quarter 2010		Change
			Absolute	%
Gross premiums written	4,410	4,349	61	1.4
Combined ratio in %	100.9	100.4	0.5	
Technical result	127	191	-64	-33.5
Non-technical result	256	155	101	65.2
Operating result	383	346	37	10.7
Result	344	224	120	53.6

MUNICH HEALTH*	4th quarter 2011	4th quarter 2010	Change	
			Absolute	%
Gross premiums written	1,603	1,304	299	22.9
Combined ratio in %	100.4	100.0	0.4	
Technical result	6	12	-6	-50.0
Non-technical result	40	5	35	700.0
Operating result	46	17	29	170.6
Result	14	6	8	133.3
SHARES	4th quarter 2011	4th quarter 2010	Change	
Earnings per share in €	3.53	2.58	0.95	36.8

* Before elimination of intra-Group transactions across segments.