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Press release

Munich Re starts the financial year 2012 with a quarterly profit of €782m

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In the first quarter of 2012, Munich Re achieved a consolidated profit of €782m (same period last year: -€948m). Underwriting business performed well in the first quarter and the investment result showed a marked improvement. For 2012 as a whole, Munich Re is continuing to aim for a profit of around €2.5bn.

CFO Jörg Schneider summed up the business performance for first three months: "A good start to 2012. With few major losses and more favourably disposed capital markets, we have posted a healthy profit." Key features in the result of €782m are much lower claims costs from natural catastrophes and higher investment income than in the same quarter last year.

With regard to Munich Re's expected business performance for 2012 as whole, Schneider emphasised: "Despite the still difficult economic situation, we are optimistic for 2012 and are aiming for a profit for the year of around €2.5bn."

Summary of the figures for the first three months

From January to March, the Group recorded an operating result of €1,202m (-1,384m). Compared with year-end 2011, equity rose by 4.8% to €24.4bn. The annualised return on risk-adjusted capital (RORAC) amounted to 12.8% and the return on equity (RoE) to 13.1%. Gross premiums written increased by 2.2% to €13.3bn (13.0bn). If exchange rates had remained the same, premium volume would have increased by 0.3% compared with the same period last year.

As part of its active capital management, Munich Re issued two new subordinated bonds on 29 March with volumes of €900m and £450m. With a term of 30 years, the bonds are first callable on 26 May 2022. Up to then, they have a coupon rate of 6.25% and 6.625% p.a. respectively. The bonds are designed to be compliant with the existing (Solvency I) and anticipated future (Solvency II) supervisory regime, and to meet current rating agency requirements.

In the first quarter of 2012, Munich Re modified its segment reporting with the aim of providing for even greater transparency. The segments are now presented after elimination of intra-Group transactions across segments. The previous year's figures have been adjusted accordingly.

Primary insurance: Result situation improved at €145m

In the primary insurance segment, the operating result totalled €257m (167m) for the first three months of the year, while the consolidated result climbed to €145m (53m). The ERGO Insurance Group, in which Munich Re concentrates its primary insurance business, showed a profit significantly above the previous year's level: €97m (15m). The difference between this result and the figure for the primary insurance segment is mainly attributable to interest expenses for intra-Group financing and to reinsurance deposits which are shown in the ERGO subgroup's figures but eliminated at Group level.

Overall premium income across all lines of business decreased by 0.5% to €5,016m (5,040m). Gross premiums written also remained virtually stable in the first quarter at €4,741m (4,766m).

The combined ratio for the property-casualty segment (including legal protection insurance) amounted to 95.3% (96.9%). A slightly higher combined ratio of 91.3% (88.4%) in Germany contrasted with a reduction to 101.3% (109.2%) in international business.

ERGO CEO Torsten Oletzky commented: "We can be satisfied with the result for the first quarter. Particularly pleasing is the development of the combined ratio in international business. The turnaround in international business is gathering momentum."

Reinsurance: Quarterly result of €634m

Whereas in the first quarter last year reinsurance business had been affected by extremely heavy burdens from major losses, claims costs in the first quarter of 2012 were substantially lower. The operating result amounted to €906m (-1,590m). Altogether, the reinsurance segment accounted for around €634m (-1,010m) of the Group consolidated result.

Munich Re posted premium income of €6,844m (6,727m) in reinsurance, an increase of 1.7% compared with the same period last year. Whilst gross premiums written rose by 9.9% to €2,599m (2,364m) in the life reinsurance segment, they fell by 2.7% to €4,245m (4,363m) in property-casualty insurance. This decrease was attributable to a technical adjustment in posting logic for gross premiums written. The effect, which amounts to approximately €300m, will be balanced out over the following quarters of 2012.

In the property-casualty segment, the development of major losses in the first quarter can be described as moderate, with total expenditure amounting to €264m after retrocession and before tax. The combined ratio was 94.6% of net earned premiums (first quarter last year: 161.3% after risk transfer). Around two

percentage points of this was attributable to major losses from the years before 2012.

With a volume of approximately €1.2bn, the renewals at 1 April 2012 in Japan, Korea and the USA, as well as with some global clients, involved around 10% of the total business in property-casualty reinsurance. Altogether, Munich Re's premium volume in these renewals decreased to €1,118m or by 2.9% (around €30m) compared with the previous year. Rates, i.e. the price level, rose by 5% year on year. Torsten Jeworrek, Munich Re's Reinsurance CEO: "We did reduce proportional earthquake covers in Japan in cases where we found the conditions inadequate. But generally we were able to achieve distinctly improved prices and substantially better conditions in Japan."

In the renewals at 1 July 2012 (mainly for parts of the US market, and in Australia and Latin America), Munich Re also expects rising prices in loss-affected segments, especially for natural catastrophe covers.

Munich Health: Result of €5m

In the first quarter, Munich Health posted an operating result of €32m (37m) and contributed €5m (17m) to the Group's overall result.

Gross premium income grew appreciably to €1,680m (1,487m) in the first quarter, or by 13.0% compared with the same period last year. International health primary insurance business showed a strong increase of 16% to €587m (506m), with premium growth particularly in the UK and the USA. The growth in reinsurance premium income to €1,093m (981m) is due to large treaties concluded by clients for capital relief.

The combined ratio for the period from January to March 2012 improved to 99.5% (99.9%).

Investments: Investment result rises to €2.2bn

At €205.4bn (211.8bn at market values), total investments at 31 March 2012 increased by €3.7bn or 1.9% compared with year-end 2011.

For the period January to March 2012, the Group's investment result showed a year-on-year improvement of 14.7% to €2.2bn (2.0bn). Annualised, the result represents a return of 4.3% in relation to the average market value of the portfolio. Fixed-interest securities, loans and short-term fixed-interest investments continued to form the greater part of Munich Re's investments, and totalled €183.4bn – equivalent to 86.6% of the Group's total investments at market value. Equities make up 3.1% (31 December 2011: 3.2%) and real estate 2.5% (31 December 2011: 2.6%).

At €1.9bn in the first quarter of 2012, regular income remained almost unchanged against the same quarter of the previous year; following portfolio growth, the running yield sank from 3.9% to 3.6%. The overall balance of write-ups and write-downs plus net gains on disposals amounted to €193m (263m) for the first quarter. The Greek debt restructuring and bond exchange led to

relatively low additional expenses of €9.0m. On balance, the more favourable, less volatile capital markets meant that write-downs were restricted chiefly to derivative financial instruments used by the Group to hedge against falling interest rates, inflation and declines in share prices. Net gains on the disposal of investments were high at €372m (400m). A large portion of these came from realised gains on the restructuring of fixed-interest investments and derivatives.

CFO Jörg Schneider was satisfied with the investment result: "Our prudent and balanced investment policy continues to pay off. We have posted a strong return of 4.3%, and are well equipped to cope with all likely capital market scenarios."

The Group's asset manager is MEAG which in addition to Group investments had segregated and retail funds totalling €10.6bn (10.4bn) under management as at 31 March 2012.

Outlook for 2012: Profit guidance of around €2.5bn continues to stand

The outlook has altered somewhat owing to the changes in segment reporting. Based on exchange rates remaining stable, the Group now anticipates that for the financial year 2012 its gross premiums written will range between €49bn and €51bn. Gross premium income of between €26bn 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 under €19bn. Gross premiums written of around €6.5bn are expected for Munich Health.

For property-casualty reinsurance, Munich Re's target is a combined ratio of around 96% of net earned premiums over the market cycle as a whole. In property-casualty primary insurance, the target remains a combined ratio of under 95%.

Munich Re still does not anticipate any rapid or significant rise in capital market interest rates in 2012, so there is no change in its forecast that regular income from investments will fall. The investment return is likely to be approx. 3.5%.

The consolidated result in reinsurance should now total between €1.9bn and €2.1bn in 2012. For the primary insurance segment, Munich Re is targeting a consolidated result of around €450m, and expects around €400m for the ERGO Group. Munich Re's projection for the consolidated result of the Munich Health business field lies at around €50m.

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. CFO Schneider: "We are still aiming at a consolidated result in the region of €2.5bn." This is subject to claims experience with regard to major losses and the impact of severe currency or capital market developments.

08 May 2012
Press release
Page 5/7

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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.

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Key figures (IFRS) for the Group in the first quarter of 2012* (in €m unless otherwise indicated)

At a glance:

- Munich Re with quarterly profit of €782m
- CFO Schneider: "A good start to 2012. With few major losses and more favourably disposed capital markets, we have posted a healthy profit."
- Primary insurance: Result much improved at €145m
- Reinsurance: Quarterly result of €634m
- Munich Health: Profit of €5m

	1st quarter 2012	1st quarter 2011	Change	
			Absolute	%
Gross premiums written	13,265	12,980	285	2.2
Net earned premiums	12,410	11,670	740	6.3
Net expenses for claims and benefits	10,276	12,148	-1,872	-15.4
Technical result	972	-1,882	2,854	-
Investment result	2,244	1,956	288	14.7
Thereof realised capital gains	986	1,054	-68	-6.5
realised losses	614	654	-40	-6.1
Non-technical result	230	498	-268	-53.8
Operating result	1,202	-1,384	2,586	-
Interest income and expense	-66	-69	3	4.3
Taxes on income	159	-612	771	-
Consolidated profit	782	-948	1,730	-
Thereof attributable to				
Munich Reinsurance Company equity holders	780	-947	1,727	-
minority interests	2	-1	3	-
	31.3.2012	31.12.2011		
Investments (carrying amounts)	205,447	201,707	3,740	1.9
Equity	24,426	23,309	1,117	4.8
Employees	46,729	47,206	-477	-1.0
	1st quarter 2012	1st quarter 2011	Change	
			Absolute	%
Gross premiums written	6,844	6,727	117	1.7
Thereof life	2,599	2,364	235	9.9
property/casualty	4,245	4,363	-118	-2.7
Combined ratio in %	94.6	161.3**	-66.7	-
Technical result	697	-2,077	2,774	-
Non-technical result	209	487	-278	-57.1
Operating result	906	-1,590	2,496	-
Result	634	-1,010	1,644	-
	1st quarter 2012	1st quarter 2011	Change	
			Absolute	%
Gross premiums written	4,741	4,766	-25	-0.5
Combined ratio in %	95.3	96.9	-1.6	-
Technical result	263	190	73	38.4
Non-technical result	-6	-23	17	73.9
Operating result	257	167	90	53.9
Result	145	53	92	173.6

08 May 2012
 Press release
 Page 7/7

MUNICH HEALTH	1st quarter 2012	1st quarter 2011	Change	
			Absolute	%
Gross premiums written	1,680	1,487	193	13.0
Combined ratio in %	99.5	99.9	-0.4	
Technical result	12	5	7	140.0
Non-technical result	20	32	-12	-37.5
Operating result	32	37	-5	-13.5
Result	5	17	-12	-70.6
SHARES	1st quarter 2012	1st quarter 2011	Change	
Earnings per share in €	4.39	-5.28	9.67	-

* Previous year's figures adjusted due to changes in the calculation of technical interest rate and the changeover to segment reporting without a consolidation column.

** After risk transfer to the capital markets; 166.8% before risk transfer.