



# GOOD START TO THE YEAR 2012

## QUARTERLY FINANCIAL STATEMENTS AS AT 31 MARCH 2012

8 May 2012

Jörg Schneider  
Torsten Oletzky  
Torsten Jeworrek

Munich RE 

Agenda



Financial reporting Q1 2012

<b>Munich Re (Group)</b>	<b>2</b>
Munich Health	9
Primary insurance	12
Reinsurance	19
Outlook	27

Munich Re (Group) – Overview

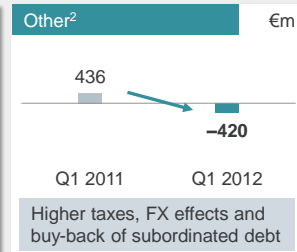
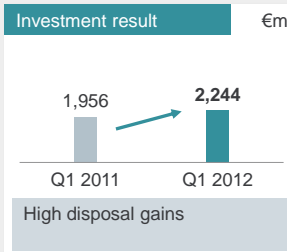
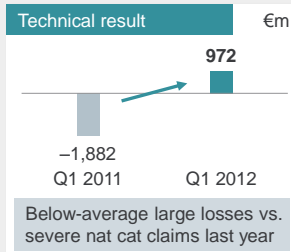
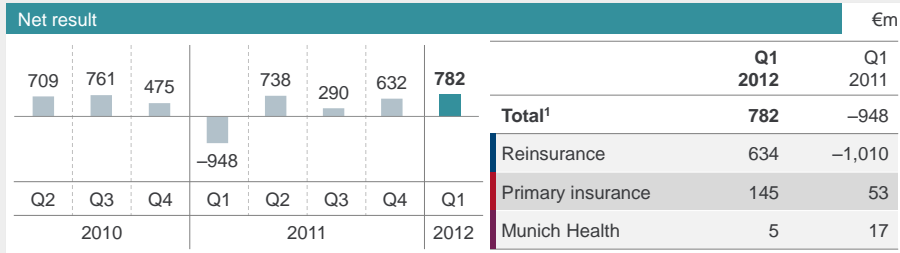
After strong Q1 well on track to meet 2012 financial targets



Munich Re (Group)		
<p><b>NET PROFIT</b> €782m</p> <p>Good operating performance across all segments – driven by sound underwriting and high investment result</p>	<p><b>SHAREHOLDERS' EQUITY</b> €24.4bn (+4.8% vs. Q4)</p> <p>Strong capitalisation according to all metrics allows us to seize profitable growth opportunities</p>	<p><b>INVESTMENT RESULT</b> Annualised RoI of 4.3%</p> <p>RoI above full-year average expectation – prudent asset management remains key in volatile capital market environment</p>
Reinsurance	Primary insurance	Munich Health
<p><b>COMBINED RATIO</b> 94.6%</p> <p>Property-casualty – Major-loss ratio of only 6.3% and pleasing April renewals</p> <p>Life – Strong technical result of more than €150m</p>	<p><b>COMBINED RATIO</b> 95.3%</p> <p>Improving international business</p> <p>All segments with significant earnings contribution</p>	<p><b>COMBINED RATIO</b> 99.5%</p> <p>Ongoing organic premium growth – stable operating result while net result distorted by negative currency effects</p>

Munich Re (Group) – Key figures

Low nat cat claims and calmer capital markets supporting good results



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

Munich Re (Group) – Capitalisation

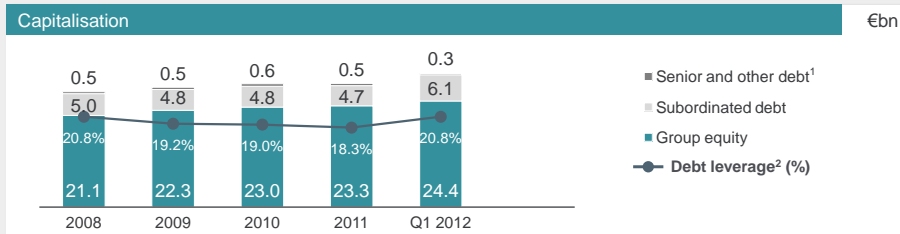
Sound capital position



Equity		€m
Equity 31.12.2011	23,309	
Consolidated result	782	
<b>Changes</b>		
Dividend	-	
Unrealised gains/losses	551	
Exchange rates	-235	
Share buy-backs	3	
Other	16	
<b>Equity 31.3.2012</b>	<b>24,426</b>	

UNREALISED GAINS/LOSSES  
 Afs fixed-interest securities: +€121m  
 Afs non-fixed-interest securities: +€425m

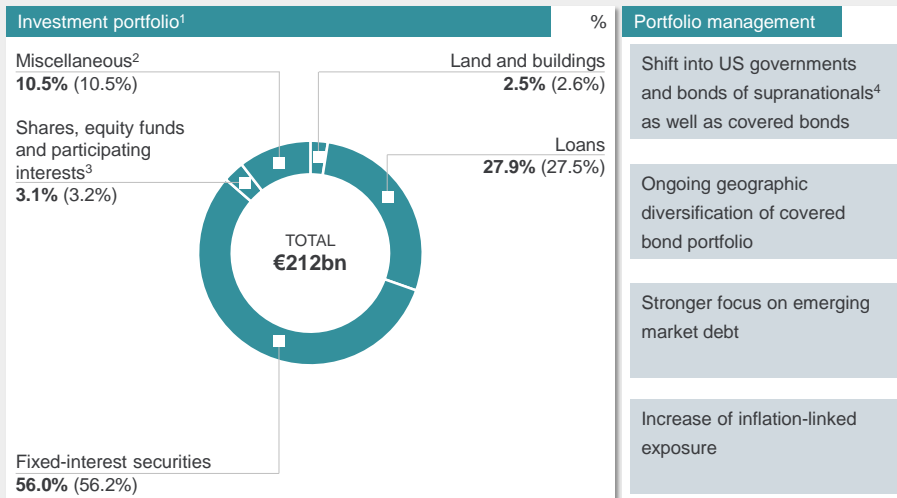
EXCHANGE RATES  
 Negative FX development mainly driven by weaker US\$



<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

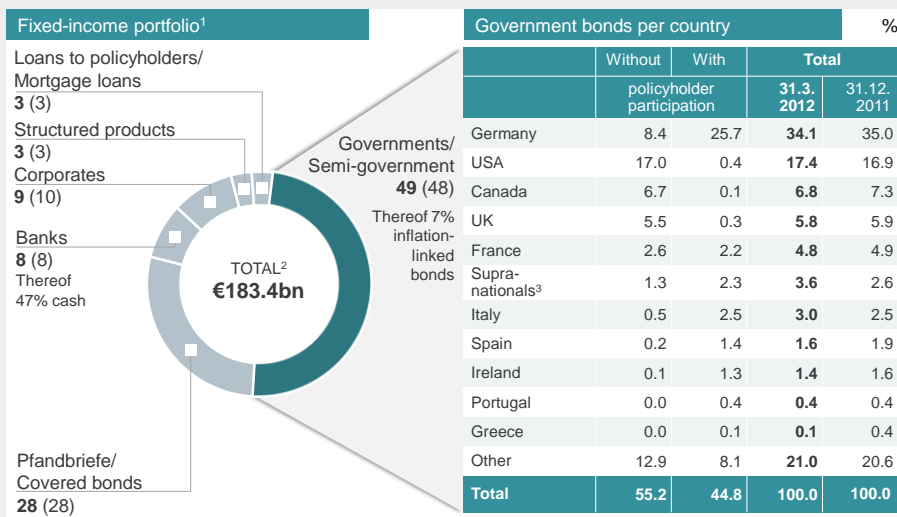


- #### Portfolio management
- Shift into US governments and bonds of supranationals<sup>4</sup> as well as covered bonds
  - Ongoing geographic diversification of covered bond portfolio
  - Stronger focus on emerging market debt
  - Increase of inflation-linked exposure

<sup>1</sup> Fair values as at 31.3.2012 (31.12.2011).  
<sup>2</sup> Deposits retained on assumed reinsurance, investments for unit-linked life, deposits with banks, investment funds (bond, property), derivatives and tangible assets in renewable energies. <sup>3</sup> Net of hedges: 2.1% (2.0%).  
<sup>4</sup> European Community, European Investment Bank, EFSF and other.

Munich Re (Group) – Investments – Fixed-income portfolio

### Emphasis on highly rated securities



<sup>1</sup> Economic view – not fully comparable with IFRS figures. Incl. loans, parts of other securities, other investments and cash items. Fair values as at 31.3.2012 (31.12.2011).  
<sup>2</sup> Additional inflation-linked exposure in swaps 3% and bank and corporate exposure in credit default swaps 2% of fixed-income portfolio. <sup>3</sup> European Community, European Investment Bank, EFSF and other.

## High investment result, given low-yield environment

Investment result					€m
	Q1 2012	Return <sup>1</sup>	Q1 2011	Return <sup>1</sup>	
Regular income	1,889	3.6%	1,903	3.9%	
Write-ups/write-downs	-179	-0.3%	-137	-0.3%	
Disposal gains/losses	372	0.7%	400	0.8%	
Other income/expenses	162	0.3% <sup>2</sup>	-210	-0.4%	
<b>Investment result</b>	<b>2,244</b>	<b>4.3%</b>	<b>1,956</b>	<b>4.0%</b>	

Regular income	Write-ups/write-downs	€m	Disposal gains/losses	€m
<ul style="list-style-type: none"> <li>Decreased running yield due to reinvestment at lower yield and increased market values</li> <li>Average reinvestment yield -2.9%</li> </ul>	<b>Major effects</b>	<b>Q1 2012</b>	<b>Major effects</b>	<b>Q1 2012</b>
	Equities	-28	Equities	151
	Swaptions	-17	Fixed-income	310
	Derivatives (ex. swaptions)	-98	Derivatives	-131

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

<sup>2</sup> Positive impact from unit-linked business (€292m) included.

## Agenda

## Financial reporting Q1 2012

Munich Re (Group)

**Munich Health**

Primary insurance

Reinsurance

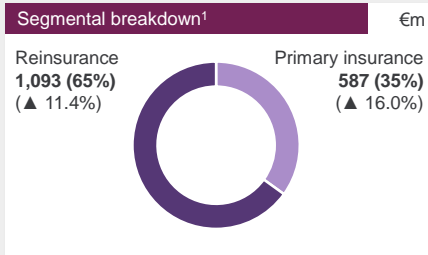
Outlook

Munich Health – Premium development

Significant organic growth



Gross premiums written		€m
Q1 2011	1,487	
Foreign-exchange effects	39	
Divestment/Investment	–	
Organic change	154	
<b>Q1 2012</b>	<b>1,680</b>	



Gross premiums written		€m
Q1 2011	1,487	
Reinsurance	112	
Primary insurance	81	
<b>Q1 2012</b>	<b>1,680</b>	

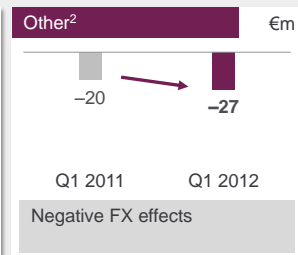
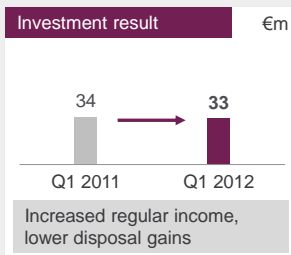
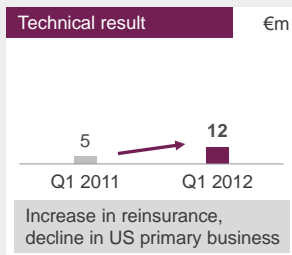
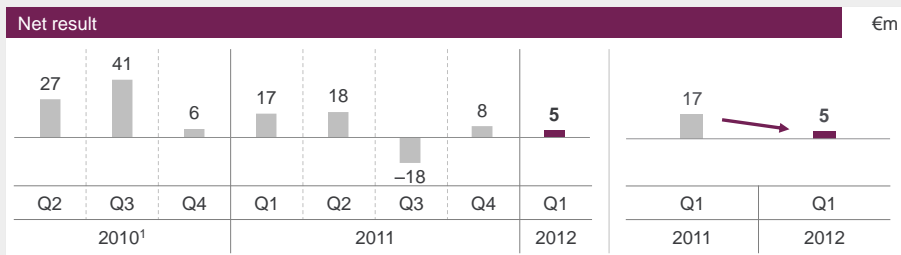
**Reinsurance**  
Organic growth and large-volume deals

**Primary insurance**  
Premium growth in USA, Spain and United Kingdom

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

Munich Health – Key figures

Development of results



<sup>1</sup> Figures up to 2010 are shown on a partly consolidated basis.

<sup>2</sup> Other non-operating result, goodwill impairments, net finance costs, taxes.

Agenda



Financial reporting Q1 2012

Munich Re (Group)

Munich Health

**Primary insurance**

Reinsurance

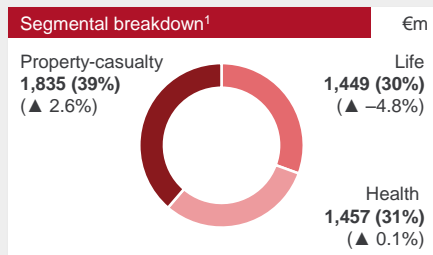
Outlook

Primary insurance – Premium development

Overall stable premium income



Gross premiums written		€m
Q1 2011	4,766	
Foreign-exchange effects	-24	
Divestment/Investment	-45	
Organic change	44	
<b>Q1 2012</b>	<b>4,741</b>	



Gross premiums written		€m
Q1 2011	4,766	
Life	-73	
Health	1	
Property-casualty	47	
<b>Q1 2012</b>	<b>4,741</b>	

**Life:** Decline mainly due to decrease in endowment policies

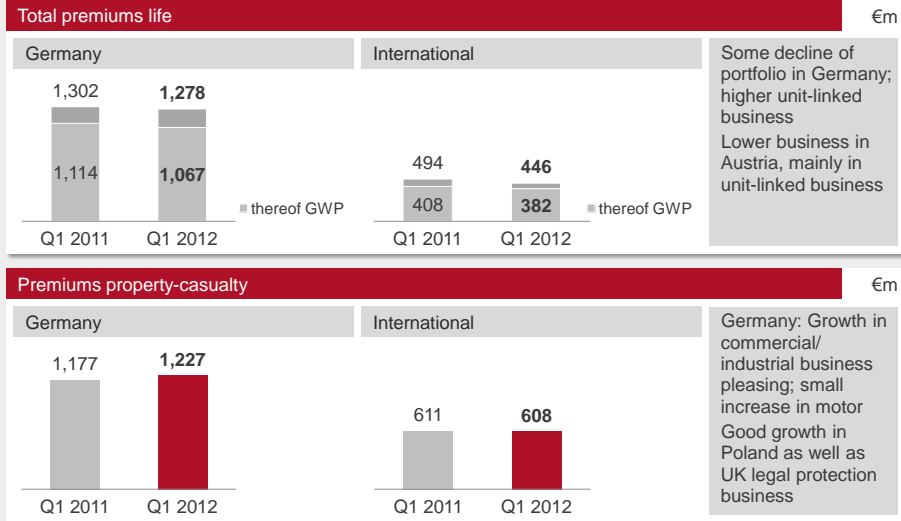
**Health:** Slight decrease in comprehensive, growth in supplementary and travel insurance

**Property-casualty:** Organic growth mitigated by FX effects

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

Primary insurance – Key figures

Small increase in German business – International premiums down on life and FX effects



Primary insurance – Life – New business

New business (statutory premiums)



**Total** €m

	Total	Regular premiums	Single premiums	APE <sup>1</sup>
Q1 2011	509	141	368	178
Q1 2012	481	135	346	170
▲	-5.5%	-4.3%	-6.0%	-4.5%

**Comments**

**Germany**

- Growth of single and regular premiums
- Corporate pension business with strong growth

**International**

- Pleasing increase in Belgium
- Declines in Austria and Poland

**Germany** €m

	Total	Regular premiums	Single premiums	APE <sup>1</sup>
Q1 2011	289	91	198	111
Q1 2012	297	92	205	113
▲	2.8%	1.1%	3.5%	1.8%

**International** €m

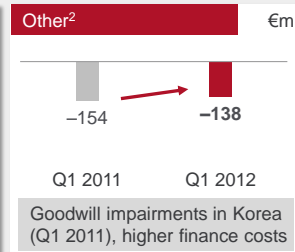
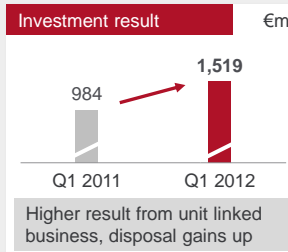
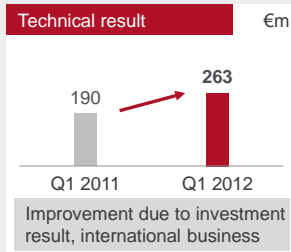
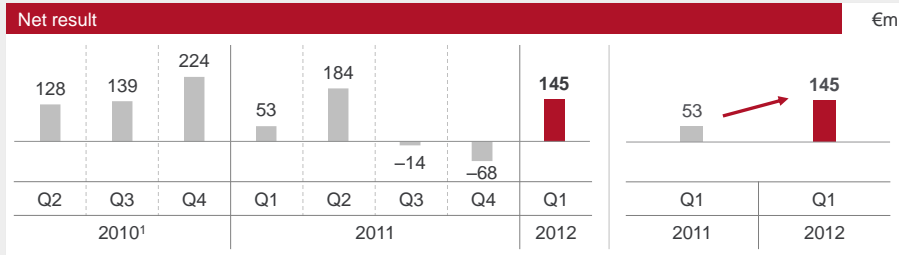
	Total	Regular premiums	Single premiums	APE <sup>1</sup>
Q1 2011	220	50	170	67
Q1 2012	184	43	141	57
▲	-16.4%	-14.0%	-17.1%	-14.9%

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



Primary insurance – Key figures

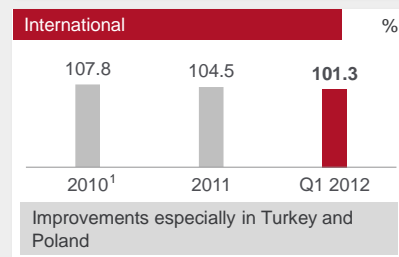
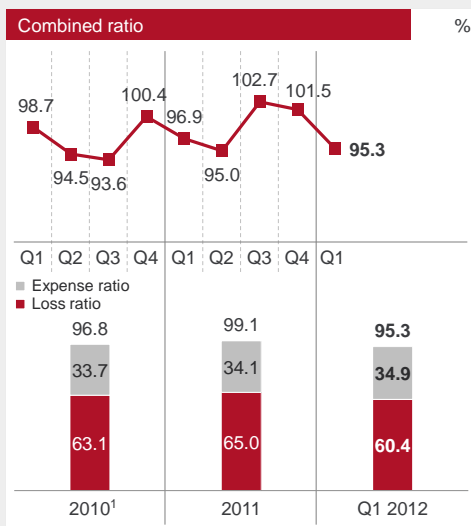
Improved result due to life and international non-life business



<sup>1</sup> Figures up to 2010 are shown on a partly consolidated basis. <sup>2</sup> Other non-operating result, goodwill impairments, net finance costs, taxes.

Primary insurance – Property-casualty – Combined ratio

Good combined ratio in Germany – Significantly improving international business



<sup>1</sup> Figures up to 2010 are shown on a partly consolidated basis.

Improvement	Divestment	Expansion						
<p><b>Poland</b> Previous year burdened by nat cat claims – Q1 2012 only marginally affected by weather-related losses</p> <p><b>Turkey</b> Moving in the right direction</p>	<p><b>Sale of ERGO Daum Direct</b></p> <ul style="list-style-type: none"> <li>▪ Challenging direct motor market in South Korea</li> <li>▪ Smaller company with lower cost efficiency</li> <li>▪ Acquirer already has a high market share</li> <li>▪ Transaction subject to regulatory approval</li> </ul>	<p><b>Market entry in China</b></p> <table border="1"> <tr> <td>Since 2011</td> <td>Joint venture agreement with partner SSAIH in Shandong</td> </tr> <tr> <td>April 2012</td> <td>Regulatory approval of joint life insurance company</td> </tr> <tr> <td>As from 2013</td> <td>Envisaged start of operations</td> </tr> </table> <p>Focus on profitable business and expansion in fast-growing markets</p>	Since 2011	Joint venture agreement with partner SSAIH in Shandong	April 2012	Regulatory approval of joint life insurance company	As from 2013	Envisaged start of operations
Since 2011	Joint venture agreement with partner SSAIH in Shandong							
April 2012	Regulatory approval of joint life insurance company							
As from 2013	Envisaged start of operations							

**Better combined ratios in almost all countries** %

Country	Q1 2011 (%)	Q1 2012 (%)
Total international	109.2	101.3
Poland	104.8	94.5
Turkey	137.2	126.1

## Agenda

### Financial reporting Q1 2012

- Munich Re (Group)
- Munich Health
- Primary insurance

### Reinsurance

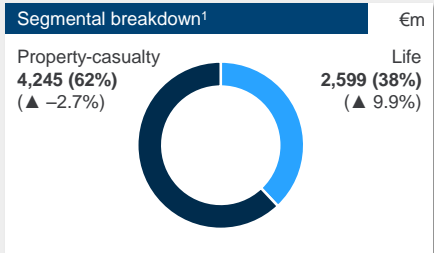
### Outlook

Reinsurance – Premium development

Ongoing growth in life reinsurance



Gross premiums written		€m
Q1 2011	6,727	
Foreign-exchange effects	227	
Divestment/Investment	–	
Organic change	–110	
<b>Q1 2012</b>	<b>6,844</b>	



Gross premiums written		€m
Q1 2011	6,727	
Life	235	
Property-casualty	–118	
<b>Q1 2012</b>	<b>6,844</b>	

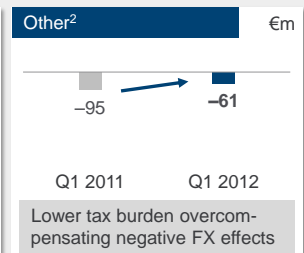
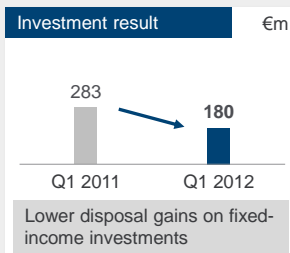
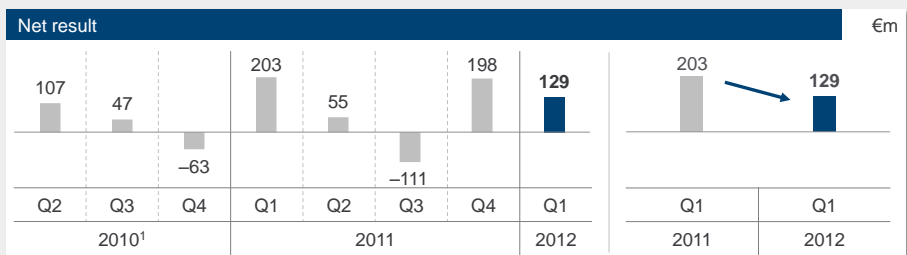
**Life**  
Substantial organic growth due to expansion in Asia and large-volume capital relief deals

**Property-casualty**  
Stable underlying business – negative technical effect from refined quarterly premium allocation of –€300m

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

Reinsurance – Key figures

Life reinsurance

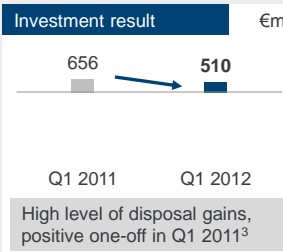
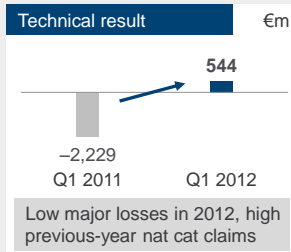
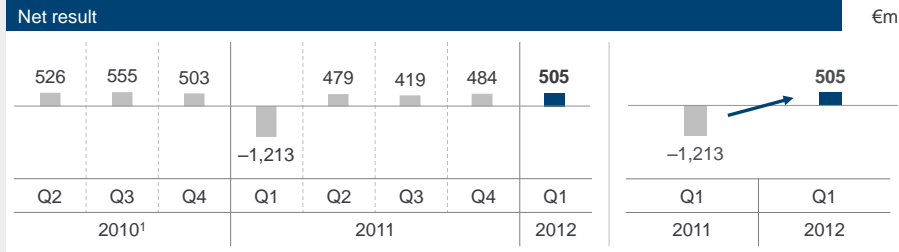


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<sup>2</sup> Other non-operating result, goodwill impairments, net finance costs, taxes.

Reinsurance – Key figures

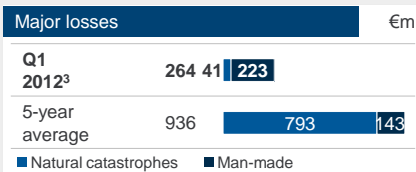
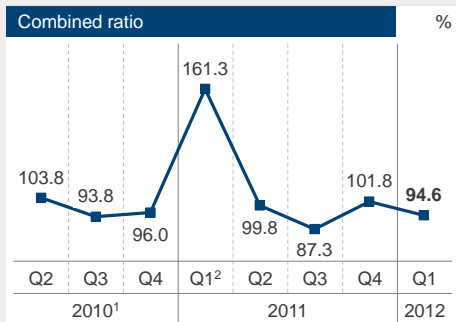
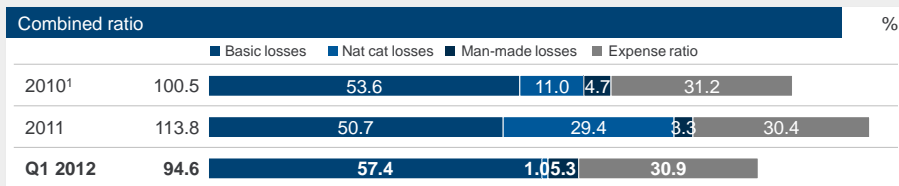
Reinsurance property-casualty



<sup>1</sup> Figures up to 2010 are shown on a partly consolidated basis.  
<sup>2</sup> Other non-operating result, goodwill impairments, net finance costs, taxes.  
<sup>3</sup> Insurance risk transfer to the capital markets (€211m).

Reinsurance – Property-casualty – Combined ratio

Back to normal



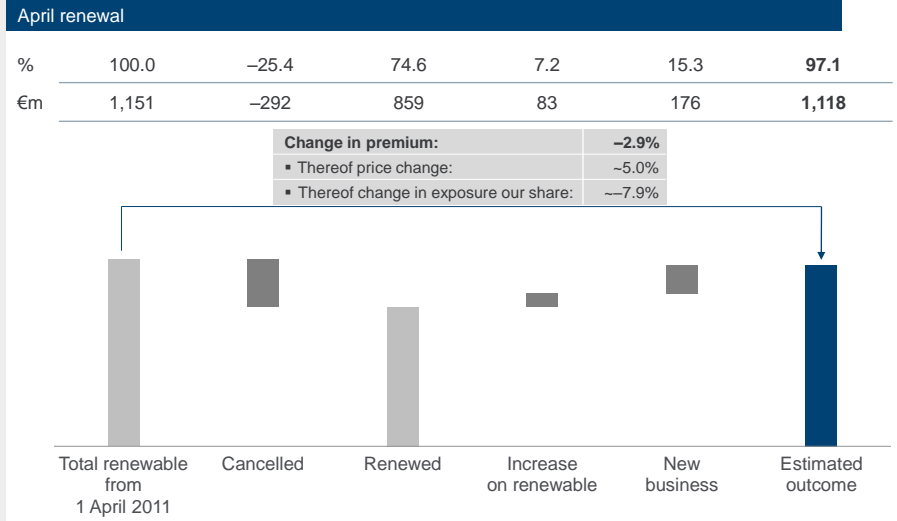
**Basic losses**

In Q1 2012, no impact from prior-year reserve changes while conservatively reserving for new underwriting year (FY 2011 including 4%-points reserve release)

<sup>1</sup> Figures up to 2010 are shown on a partly consolidated basis.  
<sup>2</sup> Adjusted for impact on insurance risk transfer to the capital markets.  
<sup>3</sup> Net negative prior-year run-offs (~2%-points) affecting large loss ratio (man-made).

Reinsurance – April renewal

Significant price increases achieved – Active portfolio management slightly reducing top-line



Reinsurance – April renewal

Significantly improved portfolio quality driven by nat cat business in Japan and USA



**Munich Re portfolio – Premium change in major business lines**

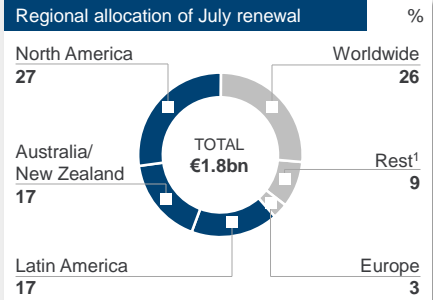
Business line Premium split <sup>1</sup>	Total €1.2bn	Total		Property		Casualty	Specialty <sup>2</sup>
		Prop.	XL	Prop.	XL	Prop./XL	Prop./XL
		54%	46%	19%	34%	35%	12%
Price change	~5.0% <sup>3</sup>	0.7%	15.2%	1.1%	14.2%	0.1%	7.0%
Volume change	-2.9%	-10.3%	5.9%	-19.7%	17.2%	-7.8%	-18.9%

<b>PRICE</b>	<b>VOLUME</b>
<ul style="list-style-type: none"> <li>Overall price increase of ~5% driven by property XL</li> <li>Japan: Earthquake +35%, windstorm +10%</li> <li>USA: Nat cat up to +10%</li> <li>Proportional business remains flat</li> <li>Japan: Significant price increase for earthquake</li> <li>USA: Primary rates continue to slightly increase</li> <li>Primarily loss-driven price increase of 4.5% in marine business</li> </ul>	<ul style="list-style-type: none"> <li>Improved business mix – shift from proportional to XL and from casualty to property</li> <li>Japan: Increase of earthquake and windstorm XL ...</li> <li>... partly compensating for deliberate reduction of earthquake quota-share and other fire business</li> <li>Clear focus on improved terms and conditions</li> <li>Introduction of event limits, increased transparency</li> <li>Risk-management-driven rejection of business, as prices could not fully reflect increased event risks</li> </ul>

<sup>1</sup> Relative premium share in relation to total renewable business.  
<sup>2</sup> Marine, credit and aviation.  
<sup>3</sup> Price increase including positive business mix effect (-3%) amounts to ~8%.

Outlook for July renewal



- Highlights**
- Renewal focus on North America
  - Renewal of business in loss-affected areas (Australia/New Zealand)
  - High nat cat share of ~30%

**July renewal – Price expectation**

North America	Australia/New Zealand	Latin America
Up to low double-digit – Positive price impact from RMS11	Significant double-digit – Trend should continue	Single-digit to low double-digit – similar to January renewal

<sup>1</sup> Asia/ Pacific/Africa.

Agenda



- Financial reporting Q1 2012
- Munich Re (Group)
  - Munich Health
  - Primary insurance
  - Reinsurance

**Outlook**

## Outlook 2012

## Munich Re (Group)

GROSS PREMIUMS WRITTEN €49–51bn		RETURN ON INVESTMENT ~3.5%	NET RESULT ~€2.5bn
Reinsurance	€26–27bn	Ongoing low-interest-rate environment gradually reducing running yield to below 4%	RoRaC target of 15% after tax over the cycle to stand Significantly improving technical result
Primary insurance	€17–18bn		
Munich Health	~€6.5bn		
Reinsurance		Primary insurance	Munich Health
<b>Combined ratio</b> ~96% over the cycle		<b>Combined ratio</b> <95%	<b>Combined ratio</b> ~99%
<b>Net result</b> €1.9–2.1bn		<b>Net result</b> ~€450m	<b>Net result</b> ~€50m

Quarterly financial statements as at 31 March 2012 28

## 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.

Figures up to 2010 are shown on a partly consolidated basis.

"Partly consolidated" means before elimination of intra-Group transactions across segments.

Quarterly financial statements as at 31 March 2012 29