



On track to meet 2013 financial targets

Quarterly financial statements as at 30 June 2013

6 August 2013

Munich RE 

Agenda



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Munich Re (Group) – Financial highlights

On track to meet 2013 financial targets



Munich Re (Group) – Q1–2 2013

NET RESULT
€1,522m (€543m in Q2)



Good operating performance across all segments – Q2 results impacted on balance by negative non-recurring effects

SHAREHOLDERS' EQUITY
€25.7bn (–10.4% vs. 31.3.)



Rising interest rates diminishing IFRS equity but also economic capital requirements

INVESTMENT RESULT
RoI of 3.2% (2.8% in Q2)



In Q2 regular income remains solid while write-downs affect investment result

Reinsurance

NET RESULT
€1,205m (€378m in Q2)



975 230

P-C

Combined ratio 92.4% (99.3% in Q2)
 Major losses 8.8% (15.2% in Q2)

LIFE

Strong technical result of €305m (€96m in Q2)

Primary insurance

NET RESULT
€275m (€148m in Q2)



139 73 63

P-C

Combined ratio 96.0% (96.1% in Q2) close to target despite flood

LIFE

Result in line with expectations

HEALTH

Solid, stable performance

Munich Health

NET RESULT
€59m (€22m in Q2)



59

REINSURANCE

Combined ratio 99.0% (99.2% in Q2)

PRIMARY INSURANCE

Combined ratio 98.4% (95.8% in Q2) – Focus on Windsor Health

Agenda



Overview

Munich Re (Group)

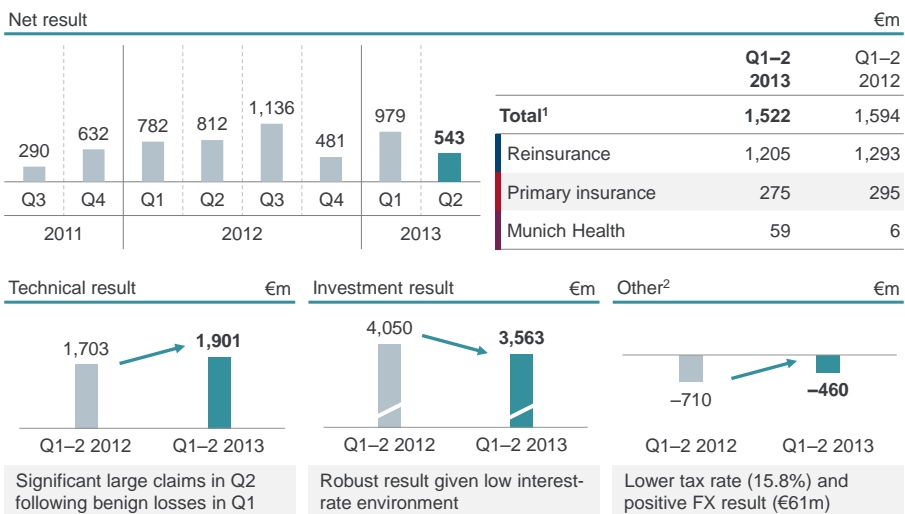
Primary insurance

Reinsurance

Outlook

Munich Re (Group) – Key figures

Pleasing financial development just below strong prior-year result



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

Munich Re (Group) – Capitalisation

Capital position remaining strong despite decline in valuation reserves – debt leverage now below 16%



Equity	€m	
Equity 31.12.2012	27,423	Change Q2
Consolidated result	1,522	543
Changes		
Dividend	-1,255	-1,255
Unrealised gains/losses	-2,176	-2,001
Exchange rates	-58	-269
Share buy-backs	107	-
Other	87	12
Equity 30.6.2013	25,650	-2,970

UNREALISED GAINS/LOSSES

Afs fixed-interest securities
Q1-2: -€2,234m
Q2: -€1,774m

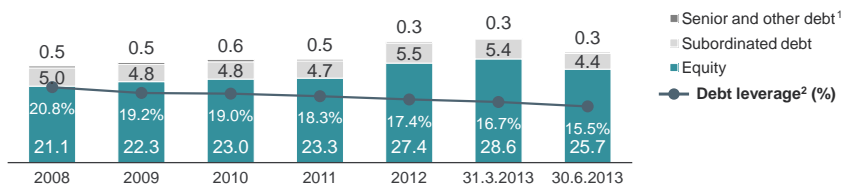
Afs non-fixed-interest securities
Q1-2: +€64m, Q2: -€219m

EXCHANGE RATES

Negative FX contribution mainly driven by US dollar

Capitalisation

€bn



¹ Other debt includes bank borrowings of Munich Re and other strategic debt.

² Strategic debt (senior, subordinated and other debt) divided by total capital (strategic debt + equity).

Munich Re (Group) – Investment portfolio

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



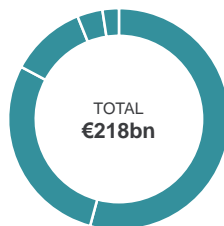
Investment portfolio¹ %

Land and buildings
2.4 (2.4)

Fixed-interest securities
54.2 (55.7)

Shares, equity funds and participating interests²
3.7 (3.7)

Miscellaneous³
11.1 (10.0)



Loans
28.6 (28.2)

Portfolio management

Reduction of US, UK and Australian government bonds

Slight reduction and ongoing geographic diversification of covered bonds

Further cautious expansion of corporate bonds across all industries

Decrease of asset duration in reinsurance – increase of short-term investments and cash

AL mismatch at Group level remains tight

¹ Fair values as at 30.6.2013 (31.12.2012). ² Net of hedges: 3.5% (3.4%). ³ Deposits retained on assumed reinsurance, unit-linked investments, deposits with banks, investment funds (excl. equities), derivatives and investments in renewable energies and gold.

Munich Re (Group) – Investment result

Solid regular income given low yields – write-downs affecting investment result in Q2



Investment result							€m
	Q1–2 2013	Return ¹	Q1–2 2012	Return ¹	Q2 2013	Return ¹	
Regular income	3,826	3.4%	3,874	3.6%	2,020	3.6%	
Write-ups/write-downs	-445	-0.4%	-155	-0.2%	-342	-0.6%	
Disposal gains/losses	463	0.4%	380	0.4%	139	0.3%	
Other income/expenses ²	-281	-0.2%	-49	0.0%	-261	-0.5%	
Investment result	3,563	3.2%	4,050	3.8%	1,556	2.8%	

Regular income	Write-ups/write-downs	€m		Disposal gains/losses	€m	
	Major effects	Q1–2 2013	Q2 2013	Major effects	Q1–2 2013	Q2 2013
In Q2 2013 dividend effect positively impacting regular income while attrition due to lower reinvestment yield persists – Average reinvestment yield in Q1–2 2013 ~2.3% vs. ~2.8% in Q1–2 2012	Equities	-68	-45	Fixed-income	596	204
	Derivatives	-182	-166	Equities	222	168
	t/o swaptions	-88	-71	Derivatives	-368	-246
	Other	-195	-131	Other	13	13

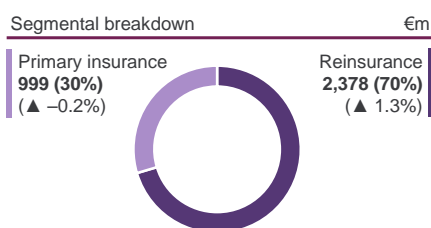
¹ Return on quarterly weighted investments (market values) in % p.a.
² Including impact from unit-linked business. Q1–2 2013: €23m (Q1–2 2012: €209m).
 Q2 2013: -€114m (-0.2%-points).

Munich Health – Premium development

Premium development



Gross premiums written	€m
Q1–2 2012	3,348
Foreign-exchange effects	-48
Divestment/Investment	-
Organic change	77
Q1–2 2013	3,377



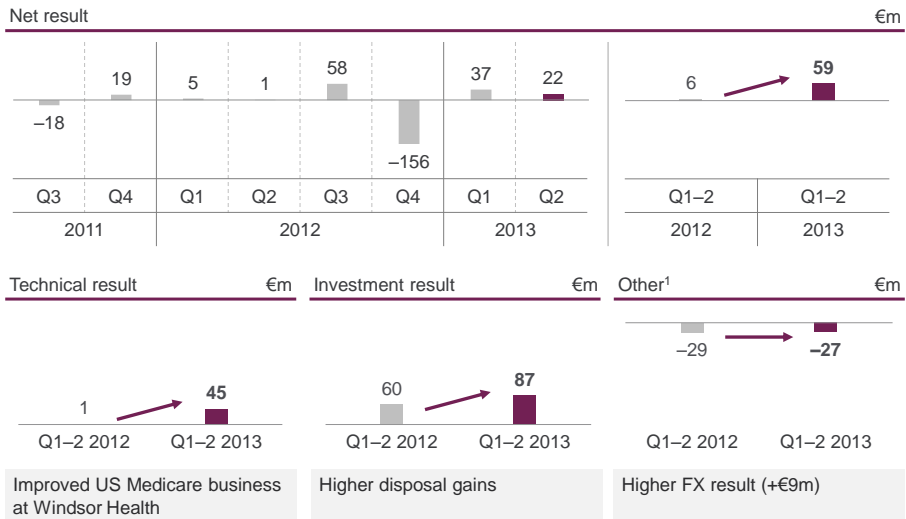
Gross premiums written	€m
Q1–2 2012	3,348
Reinsurance	31
Primary insurance	-2
Q1–2 2013	3,377

Reinsurance
 New business in Middle East, negative FX effects (-€43m)

Primary insurance
 Organic growth in Spain, decline in USA due to exit from PFFS business

Munich Health – Key figures

Munich Health – Key figures



¹ Other non-operating result, goodwill impairments, net finance costs, taxes.

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Overview

Munich Re (Group)

Primary insurance

Reinsurance

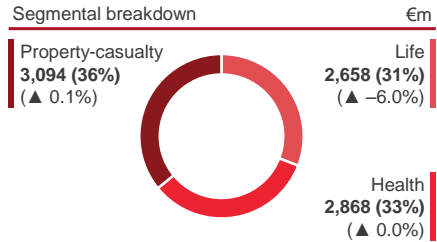
Outlook

Primary insurance – Premium development

Decrease in premium income mainly from life insurance and divestment ...



Gross premiums written		€m
Q1–2 2012	8,788	
Foreign-exchange effects	–	
Divestment/Investment	–71	
Organic change	–97	
Q1–2 2013	8,620	



Gross premiums written		€m
Q1–2 2012	8,788	
Life	–170	
Health	–1	
Property-casualty	3	
Q1–2 2013	8,620	

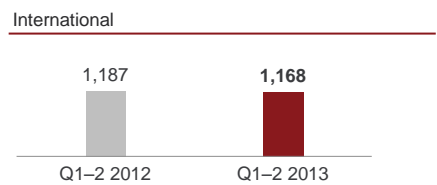
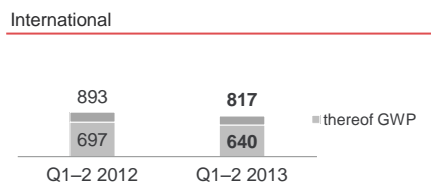
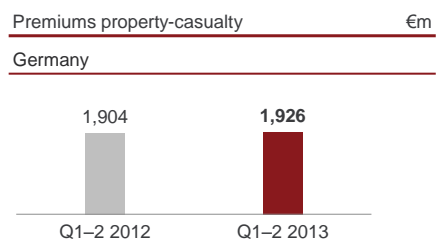
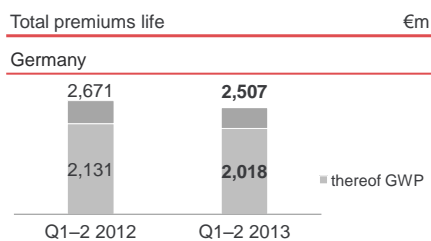
Life: Lower premium income in both German and international business

Health: Growth in supplementary partially compensating for decline in comprehensive business

P-C: Organic growth in Germany and international business; disposal of Korean entity

Primary insurance – Key figures

... but increase in property-casualty business



Still difficult market environment in Germany and international business – introduction of new product in Germany as at 1 July 2013

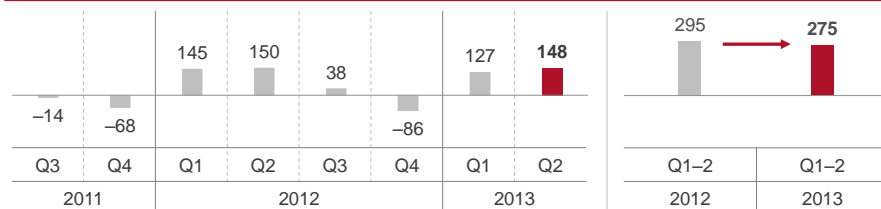
Moderate growth in Germany of 1.2% – good growth in Poland and in UK legal protection insurance, divestment in Korea

Primary insurance – Key figures

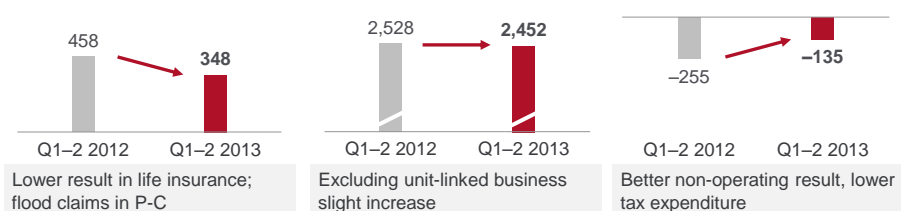
Overall good half-year result in primary insurance



Net result €m



Technical result €m Investment result €m Other¹ €m



¹ Other non-operating result, goodwill impairments, net finance costs, taxes.

Primary insurance – Life – New business

New business (statutory premiums)



Total	€m			APE ¹
	Total	Regular premiums	Single premiums	
Q1-2 2012	1,118	228	890	317
Q1-2 2013	925	210	715	282
▲	-17.3%	-7.9%	-19.7%	-11.0%

Comments

- Germany: Lower single premiums from short-term investment product MaxiZins and from German corporate pensions insolvency scheme – difficult environment for regular premium business
- International business: Lower single premium business in Austria, Belgium and Poland – higher regular premiums mainly in Austria

Germany	€m			APE ¹
	Total	Regular premiums	Single premiums	
Q1-2 2012	724	148	576	206
Q1-2 2013	574	129	445	174
▲	-20.7%	-12.8%	-22.7%	-15.5

International	€m			APE ¹
	Total	Regular premiums	Single premiums	
Q1-2 2012	394	80	314	111
Q1-2 2013	351	81	270	108
▲	-10.9%	1.3%	-14.0%	-2.7%

¹ Annual premium equivalent (APE = regular premiums +10% single premiums).

Introduction of new life products on 1 July 2013

New product ERGO Annuity Guarantee combines aspects of return, security, and flexibility

- Guarantee of gross premiums paid at start of annuity phase
- Guaranteed annuity factor at inception of the contract
- Traditional interest rate guarantee in the annuity phase
- Certificate "Volatium class 2" from analysts Morgen & Morgen – graded long-term secure investment
- High flexibility via large number of possible adjustments

Other innovations

Expense disclosure

Transparent disclosure of all costs

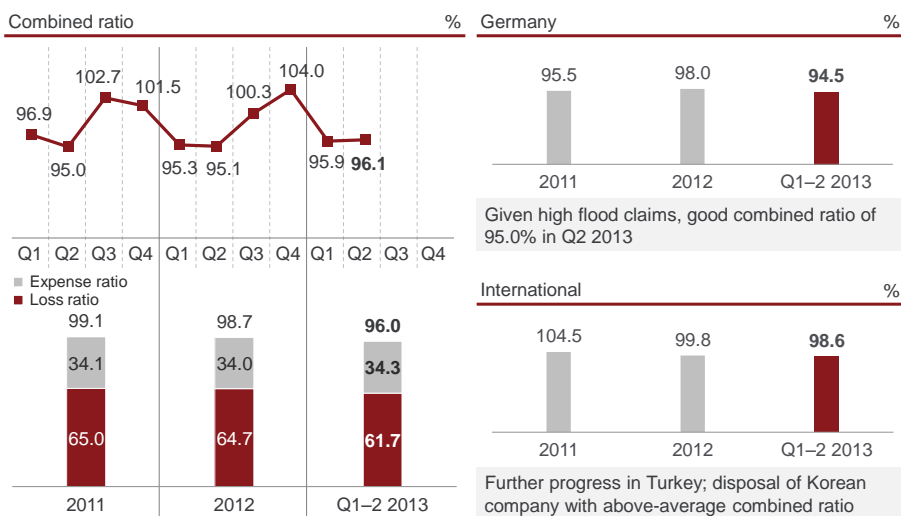
Projection methods

- New stochastic method – using the tools for our internal model
- Disclosure of three values: Expected value of all 10,000 modeled capital market paths as well as average of 10% best / worst paths

Surrender values

Stabilisation of surrender values via additional claim of customers on the value of the hedging instrument (reinsurance contract); no guaranteed surrender values

Improvement of combined ratio in international business continues



Primary insurance – Property-casualty Germany

Quick and non-bureaucratic help following floods in Southern and Eastern Germany



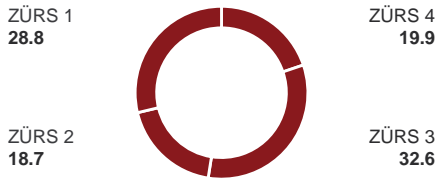
Over 3,300 claims made – 1,700 "immediate-aid" assignments

First payment on average 12 days after claim was made

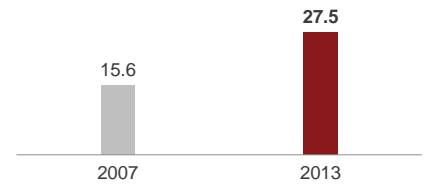
Claims expenditure –€50m net

Increasing share of policies covering natural perils – successful advice / education campaigns

Claims expenditure after ZÜRS¹ classes %



Homeowners – share of policies with natural perils cover² %



Private insurance industry proves its effectiveness

¹ German classification of land according to flood danger (1 = lowest, 4 = highest).

² Private customers.

Agenda



Overview

Munich Re (Group)

Primary insurance

Reinsurance

Outlook

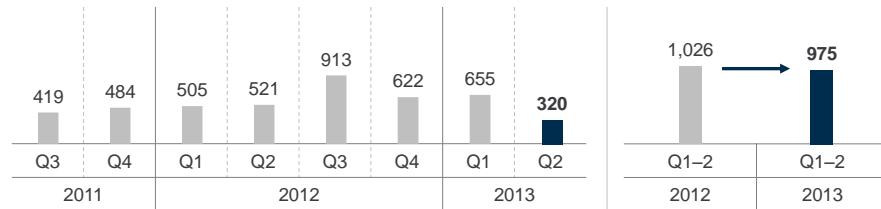
Reinsurance property-casualty – Key figures

Reinsurance property-casualty – Key figures



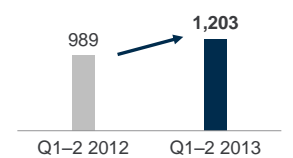
Net result

€m



Technical result

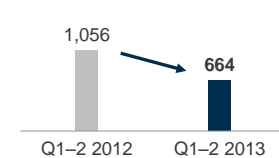
€m



Lower basic losses supported by reserve releases

Investment result

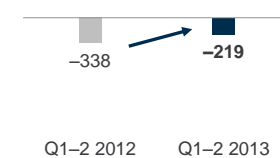
€m



Lower regular income and almost no disposal gains

Other¹

€m



Lower tax ratio (13.8%) and improved FX result to +€32m

¹ Other non-operating result, goodwill impairments, net finance costs, taxes.

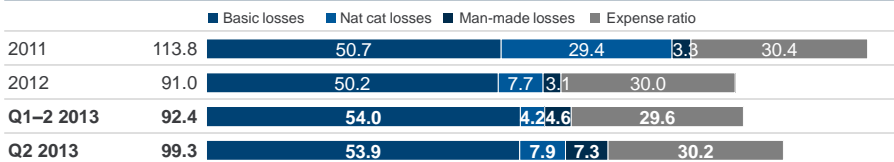
Reinsurance property-casualty – Combined ratio

Combined ratio



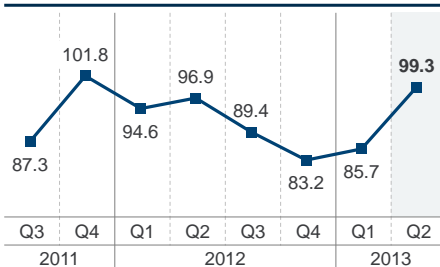
Combined ratio

%



Combined ratio

%



Large losses Q1-2 2013

%

Actual	8.8	4.2	4.6
Q1-2 2013			
Avg. annual expectation	~12.0	~8.5	~3.5
Reserve releases ¹	€m	%-points	
2011	~600	~4.0	
2012	~900	~5.5	
Q1-2 2013	~250	~3.0	
Q2 2013	~150	~4.0	

¹ Basic losses.

Reinsurance property-casualty – July renewals 2013

Excess supply and stagnating demand leading to downward pressure



Market environment

- Overall, with abundant reinsurance capacity available and alternative capital sources becoming increasingly important, reinsurance prices are slightly down on average
- Effect of new available capacity most notable in US property nat cat business
- Losses caused by US tornadoes and European floods during second quarter only with modest impact on reinsurance market
- Primary insurance markets (esp. US casualty) showing increasing rates with positive impact on proportional reinsurance

Competitors

Supply



- Increased competitive behaviour, but market remains overall disciplined
- Low interest rates continue to be a positive catalyst for underwriting returns

Clients

Demand



- Overall, reinsurance demand is stagnating
- Retentions tending to increase as capital base of primary insurers remains solid
- Some pressure on commission levels

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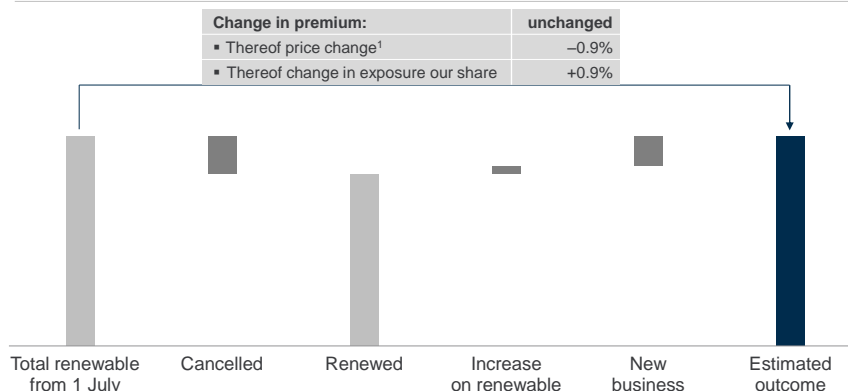
Reinsurance property-casualty – July renewals 2013

Top line remains stable – Prices slightly down reflecting softening catastrophe rates



July renewals 2013

%	100.0	-18.0	82.0	3.7	14.3	100.0
€m	2,210	-399	1,811	83	316	2,210



¹ Price change is risk-adjusted, i.e. includes claims inflation/loss trend and is adjusted for portfolio mix effects. Furthermore, price movement is calculated on a wing-to-wing basis (including cancelled and new business).

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Primary insurance

Reinsurance

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Outlook 2013


Munich Re (Group)
GROSS PREMIUMS WRITTEN

 Target 2013¹ €50–52bn

Focus on bottom-line growth prevails – Volume not an end in itself

RETURN ON INVESTMENT

Target 2013 ~-3.3%

Solid return given ongoing low interest-rate environment

NET RESULT

Target 2013 Close to €3bn

RoRaC target of 15% after tax over the cycle to stand

Reinsurance
COMBINED RATIO

Target 2013 ~-94%

NET RESULT

Target 2013 €2.3–2.5bn

Primary insurance
COMBINED RATIO

Target 2013 ~-95%

NET RESULT

Target 2013 €400–500m

Munich Health
COMBINED RATIO

Target 2013 ~-100%

NET RESULT

Further loss cannot be excluded

¹ By segment: Reinsurance ~€27.5bn (prev. ~€27bn), primary insurance slightly below €17bn, Munich Health slightly above €6.5bn

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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.